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ENGLISH ECONOMIC HISTORY

BY
GEORGE W. SOUTHGATE, B.A.

NEW EDITION
(Revised and Enlarged)

WITH FULL SUMMARIES

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Aldine House · Bedford Street · London
Made in Great Britain
at
The Temple Press · Letchworth · Herts
First published 1934
Revised and reset 1948
Last reprinted 1952

PREFACE TO THE ORIGINAL EDITION

THE aim of this work is to present to the reader an account of the Economic History of this country which shall be something more than a mere outline and which shall, at the same time, not be too abstruse to be of use to the student who is approaching the subject for the first time.

It may be pointed out that this book differs from many others already in existence in that it attempts to cover, however imperfectly, the whole range of English Economic History. The older textbooks are notably inadequate in their treatment of the subject since the Industrial Revolution; English economic activity has become extremely complex during the past century, and much fuller consideration of its many features is necessary than has been given to it in the works referred to. On the other hand, in recent years some excellent books have been published which attempt to deal with only limited periods or special aspects of the subject. The student, therefore, has been compelled to seek his material from a number of sources. It is hoped that candidates for examination in English Economic History will find their requirements met in this volume. While it is intended primarily for the use of sixth forms and of undergraduates it should not be found too difficult for fifth-form use where required. Nor should it be too technical for the ordinary reader who desires to obtain a general view of the subject.

It has not been thought advisable to include in this book summaries of the chapters, as was done in the author's *Text Book of Modern English History* and *Text Book of Modern European History*. Such summaries are, perhaps, less necessary in this than in the other works, since it is commonly the case that a more generous allocation of school time is made to the study of English Economic History in the sixth forms of secondary schools than to that of English or European History in lower forms. Further, the inclusion of summaries would necessarily add materially to the size and, consequently, to the cost of the work.

The author desires to express to two of his colleagues and friends his sincere thanks for their assistance in the preparation and

revision of the work—to Mr. T. L. D. Porter, B.A., B.Sc., for information on certain technical and scientific points, and to Mr. W. G. McPherson, B.A., for reading the manuscript and making many valuable suggestions.

G. W. S.

January, 1934.

(The edition with summaries was issued in 1936, in response to a number of requests.)

PREFACE TO THE REVISED EDITION

MUCH has happened since the publication of this book in 1934, and it is felt that the time has arrived to subject it to a thorough revision. Minor changes have been made in some of the earlier chapters, and very substantial additions have been made to most of the chapters in the latter part of the book. Two new chapters—on Insurance and on State activity since the end of the war—have been included. The type has been reset.

The author desires to express his thanks to Dr. C. R. Fay, M.A., Reader in Economic History in the University of Cambridge, for some very valuable suggestions, and to Mr. W. A. Dinsdale, B.Com., Director of Education to the Chartered Insurance Institute, to whom he is indebted for much of the information contained in the chapter on Insurance.

G. W. S.

SOME SUGGESTIONS TO THE STUDENT OF ENGLISH ECONOMIC HISTORY

(1) If possible, a study of theoretical Economics should be undertaken concurrently with the reading of Economic History. It is hardly possible to understand the course of economic development without some knowledge of economic principles. An acquaintance with monetary theory is essential to the comprehension of the weakness of mercantilist theory or of the variations in general price-levels. A knowledge of the theory of rent enables the student to grasp the cause of the prosperity of the landed interest at the beginning of the nineteenth century.

(2) A further advantage to be derived from the concurrent study of the theoretical Economics is familiarity with the terminology of the science. In the study of Economic History it is desirable to make use of terms in the sense in which they are commonly used by economists. Mental confusion will be avoided if such terms as "capital," "wealth," "distribution," are used in their accepted sense. The meaning of the word "land," as used by the economist, differs from that ordinarily assigned to it. The two meanings are not really inconsistent or contradictory—but one is somewhat wider than the other. In dealing with agriculture the ordinary (narrower) meaning of the word is necessarily uppermost, but the strict economic sense of the term should not be forgotten.

(3) Great uniformity is not to be expected in economic development, and for this reason sweeping generalisations are, as a rule, to be framed with caution. It is a sound principle in logic that generalisations are to be relied on only if they are based upon a large number of ascertained facts. It is rarely possible to obtain a sufficiency of economic facts to enable unqualified generalisations to be made. The possibility of exceptions must always be kept in mind. When the records of half a dozen villages in as many counties have been examined and the conditions of commutation in them have been found to be similar, there is a strong temptation to assume that these conditions were prevalent everywhere. A general assertion to this effect may be made—only to be disproved upon the production of further evidence. The statement that "in a very large number of country towns the market day has remained unchanged for centuries" cannot be

denied, since it has been ascertained to be true of many places. An assertion that it was true of all country towns might be disproved by the production of a single example to the contrary. Again, it is safer to state that "there is no clear evidence of the existence of merchant guilds in this country before the Norman Conquest" than that "no merchant guild existed in this country before the Norman Conquest."

(4) Warnings against the danger of making sweeping generalisations and absolute statements should not be interpreted as a condonation of vagueness. Statements need not be absolute in order to be clear and exact; exact statement is the reflection of exactness and clarity of thought. Precision is especially desirable in the use of terminology. Such terms as "industrial" and "commercial" should always be used in their proper sense and should never be treated as interchangeable.

(5) In the course of this book the author has illustrated several points by reference to the manor of Barking, which in the Middle Ages was in the possession of Barking Abbey. It will be a useful exercise for the student to seek parallel illustrations from the records of some great religious house in his own neighbourhood. For this purpose access to a good local library is essential; the Victoria County History will supply a good deal of information on such matters.

(6) It is inadvisable for the beginner to memorise large quantities of statistical information. Some figures must be noticed, but statistical information in general should be used by the inexperienced student of Economic History with some caution. It is inadvisable, for example, to compare statistics obtained from different sources without first being sure that they have been compiled on similar principles (and this will not as a rule be the case). The proper use of statistics is dependent upon the application of principles which have been moulded into a science of Statistics; this will no doubt engage the attention of the student in a more advanced stage of his work.

(7) The range of English Economic History is so extensive that the use of a textbook of moderate size is of value only as offering a general account of the subject and as indicating its scope. It should be supplemented in due course by the reading of other works. Many of the topics dealt with in this book have been treated more fully by historians who have specialised in certain directions. The work of Professor Gross on the Gild Merchant is a classic on the subject. Labour conditions at the time of the Industrial Revolution have been described by J. L. and Barbara

Hammond in several books. Sidney and Beatrice Webb are the historians of Trade Unionism. A long list of works of repute on various features of English Economic History could be compiled. For several reasons the author has decided against the printing of such a list in this book. It would be difficult to determine what to include and what to leave out; opinions vary upon the merits of many works. It is, in his opinion, better for the student to compile his own bibliography, adding to it from time to time the titles of works recommended by his tutors and lecturers, of works to which frequent reference is made in the books he has already read, and of new works favourably reviewed. One advantage of this course is that the bibliography can be developed most fully in the direction in which the student is disposed to specialise.

INTRODUCTION

THE ECONOMIC FACTOR IN ENGLISH HISTORY

FROM very early times—ever since the invention of writing, in fact—men have attempted to preserve in literary form records of their achievements and those of their ancestors. Primitive chroniclers wrote and bards sang of great achievements in order to glorify their tribe, to assert its superiority in strength and valour over its neighbours, and to inspire the younger men to equal their elders in these respects.

In course of time it was recognised, if not expressly asserted, that the study of history possessed a usefulness of its own beyond the mere gratification of tribal or national vanity. Intelligent men could not fail to notice the existence of causality and regularity in human affairs—that similar circumstances produced similar results. It seemed worth while, therefore, to study the happenings of the past in order to be able to apply the accumulated experience of the human race to the solution of new problems as they arose. Hence, a philosophy of history developed, and the more obvious motives for human activity—territorial greed, religious bigotry, military glory, and the like—were distinguished and analysed.

In recent years it has to an increasing extent been realised that the factors just mentioned are inadequate to explain the whole range of human activity. The desire to extend territories may account, in part at least, for the wars of Louis XIV, religious bigotry for those of Philip II, a passion for glory for those of Napoleon. But it cannot be maintained that these motives are everywhere and at all times in evidence. At times they are powerful, even irresistible; frequently they are quiescent, and sometimes non-existent. Groups of great wars do not exhaust the whole sphere of human action. Nations exist continuously, and people not only fight and pray, but toil and trade and plough and reap. Therefore, if a complete and well-balanced survey of the development of a nation is to be attempted, full weight must be given to the economic factor.

The material wants of men are numerous and varied and are never fully satisfied; as civilisation advances they increase in number and complexity. As soon as one want is satisfied another

takes its place. The boy who is given a bicycle will in course of time wish to possess a motor cycle; when he grows older he wants a motor car, and the owner of a car can always aspire to the possession of another, more luxurious, more powerful, or more speedy. The man who owns a house frequently wishes to move into a larger house; if he prospers he acquires a town house and a country house, and, perhaps, a seaside bungalow or a shooting-box. There is always something more to be desired; the farther men travel on the path of material progress the farther the horizon recedes. It is well that human nature should be so constituted. The fact that human wants are illimitable is the cause of the material progress of mankind; if men were satisfied there would be no further incentive to effort. And, as human affairs are never quite stationary, if progress ceased retrogression would begin. A satisfied race would be a declining race.

Those useful material things which are obtained only by human effort and sacrifice constitute wealth, and the principles which govern the production, distribution, and consumption of wealth are embodied in the science of Economics. Economic History is concerned with the various ways by which man has attempted to satisfy his wants in the past, and with the institutions, organisations, and inventions which specially reflect the various phases of his economic activity.

The most fundamental needs of mankind are food, clothing, and shelter. The civilised man of to-day wants his wireless receiving apparatus, his car, his newspaper, his camera, his supply of literature, his golf clubs, and the like, but none of these things is essential to the maintenance of his life. But he could not exist without food, clothing, and shelter—things which were equally necessary to his primitive predecessor. Of these, food is the most essential, though less of it is required in warm seasons and climates than in cold. In some tropical regions, indeed, where food is abundant and is obtainable with little effort, and where the need for clothing and shelter is slight and easily satisfied, men have not been forced into that struggle with nature which has taken place elsewhere. They have remained in a barbaric or semi-civilised state, and they have little or no economic history.

Since food is the most vital requirement of mankind, a large part of the economic history of any country is concerned with the methods by which food has been produced in time past. Some few countries, among which Great Britain is now to be numbered, which have reached an advanced stage of civilisation, have abandoned the attempt to produce the whole of their supply of food

and have devoted their main effort to the production of other things, which they send in exchange for food to other peoples who raise a surplus of this most necessary commodity. Hence occurs the development of great manufacturing industries and of extensive foreign trade.

Until one hundred and fifty years ago agriculture was the most important English industry. The food of the people was produced within the country, and there was sometimes a surplus available for export. With a rapidly growing population and a larger proportion of that population devoted to machine industry and coal-mining, it became necessary in the nineteenth century to import food into Great Britain. In recent times, therefore, the story of English economic activity has become ever more complex. Agriculture, while still of considerable importance (and probably of still greater importance in years to come), is overshadowed by a huge volume of manufactures and trade. British manufactured goods and coal are exported, and vast quantities of food, raw material, and even the manufactured goods of other countries, are received in return. Such exchange, on a large scale, of products between nation and nation is possible only in consequence of the modern engineering developments which are concerned with mechanical transport, which itself has given rise to new fields of economic activity.

In view of the wide range of the economic interests of this country the student, upon his approach to English Economic History, may think that his attention should be given mainly to English industry and commerce and that agriculture should be treated as of minor importance. It must be reiterated, however, that until the Industrial Revolution agriculture far exceeded in importance all other types of economic activity. For centuries the typical figure in English life was not the artisan nor the merchant nor the sailor, but the husbandman. Even to-day the John Bull of *Punch* is a somewhat old-fashioned country squire. Until the dawn of the nineteenth century the main concern of Englishmen was the cultivation of the soil. The study of English Economic History must begin with a consideration of agriculture, and its importance must be kept in mind throughout the course.

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CHAPTER I

THE MANORIAL SYSTEM

THROUGHOUT the Middle Ages the manor was the unit of rural organisation over the greater part of England. Manors existed in England long before the Norman Conquest, and, when that event took place, the manorial system of cultivation was already well established.¹ It was not limited to this country; it was, in fact, to be found throughout central and western Europe. The history of its development in England is obscure, and is the subject of controversy. Some investigators have tried to show that the English manor was a development of the vill, an estate worked by slave labour in the time of the Roman Empire; others have professed to discover its origin in the German mark, an area owned and cultivated by a community of free men. At the present time most scholars hold that both Roman and Teutonic influences helped in the development of the medieval manorial system. The question cannot be regarded as settled; it is possible, and, indeed, probable, that some of the problems associated with the origin and early history of the manor will never be solved in a way which will meet with universal acceptance.

A manor was a large estate² which consisted, usually, of a single village and an extent of land surrounding it. In many cases the manor was enclosed by a quickset hedge, known in Anglo-Saxon times as a *tun*, which served to mark its extent and to protect it. Such a hedge, kept in proper condition, would prove a formidable barrier to robbers or outlaws or wild animals, though it could not prevent the passage of an organised army. In the more fully occupied parts of the country manors were adjacent, and the hedge separated one from another; in the remoter regions there were large stretches of moor and wilderness which were part of no manor and which were inhabited only by the wolf and the boar, the robber and the outlaw.

¹ Much of our knowledge of the manorial system in Norman times is derived from Domesday Book, which was completed in 1086. It should be noticed, however, that in Domesday the term "manor" was applied to any area which was a unit for taxation. It was not in all cases identical with the manor as an economic unit, which is the subject of this chapter.

² Manors varied a good deal in size. Some were less than a hide (120 acres) in extent. The manor of Barking, in Essex, covered an area of thirty hides, and some manors were much larger than this.

Every manor had its lord, though a statement that the lord "owned" the manor would give a false impression. There was no absolute ownership of land other than by the King, by whom or from whom all land was held. The lord of the manor was regarded as the "tenant," the holder, rather than the absolute owner of his estate. But this tenancy was different from a tenancy of the present day. The lord, who might hold his manor either from the King or from some other lord who held it from the King, was secure in its possession, and he could not legally be deprived of it, unless, indeed, he committed treason.

The lord of a manor might be the King himself, who possessed many more of these estates than any one of his subjects. They formed the Crown lands, and were known as the royal domain. Occasionally the extent of the royal domain was diminished, as when a king made a grant of land to one of his followers; at other times it tended to increase, since the manors of lords who died without heirs reverted automatically to the Crown, while the lands of men who were convicted of treason were forfeited. Great nobles were the lords of many manors, which were, as a rule, scattered throughout the country; the policy of the Norman Conqueror had been to reward good service generously, but, at the same time, to avoid the formation of great feudal provinces similar to those which existed in France. There were many lesser manorial lords who possessed but a single manor,¹ or only two or three at the most; such a lord was the medieval counterpart of a modern country squire. A very large number of manors belonged to the Church, their lords being bishops or abbots or other ecclesiastical dignitaries. As the Church occasionally received further gifts, and as it never disposed of lands in its possession, the extent of ecclesiastical lands tended steadily to increase.²

Throughout the greater part of the country there was a good deal of similarity in manorial organisation. No dead level of

¹ It has been asserted that the number of lords who held only a single manor was small.

² It is of some interest to note the extent of the possessions of an important religious house. At the time of the compilation of Domesday the lands of Barking Abbey included the following:

In Essex, the manors of Barking (30 hides), Mucking (7 hides), Bulphan (7 hides), Parndon ($\frac{1}{2}$ hide), Wisborough (11 $\frac{1}{2}$ hides), Warley (3 hides), Ingatstone (3 $\frac{1}{2}$ hides), Hockley (7 $\frac{1}{2}$ hides), and Tollesbury (8 hides).

In Middlesex, the manor of Tyburn.

In Buckinghamshire, the manor of Slapton.

In Bedfordshire, the manor of Lidlington.

In Surrey, lands at Wallington.

Barking Abbey, with all its possessions, was surrendered to the Crown on

uniformity was to be found, and it is now believed that greater diversity existed than was thought only a few years ago to have been the case. In the north and west of England there were villages with no regular three-field system, such as existed normally on the manor, and its existence in some East Anglian villages cannot be proved. Nevertheless, over a large part of the country one manor was sufficiently like another to make possible a general description of a typical manor.

The buildings of a manor formed, as a rule, a fairly compact village;¹ only occasionally were isolated dwellings to be found, and this was more commonly the case in the west of England than in the east and south-east. The most important building in the village was the manor-house, which was much more solidly constructed than the cottages of the common people. These were huts of wood or wattle, roofed with thatch, and containing only one or two rooms to serve all purposes. The manor-house might be of timber, but it was often of stone; it was of more than one story, and it contained several rooms, the largest being the hall, in which the manorial courts were commonly held. Barns and other outbuildings were attached to it. It was occupied by the lord, if he lived on the manor; if he happened to be a great noble with many manors his bailiff dwelt in it. When, as was frequently the case, the manor was identical with the ecclesiastical parish,² it contained a church, near which was a house for the priest. By a stream there would be a mill; if no convenient stream was available a windmill might be set up on a hillock.³

14th November, 1539. In addition to the lands already mentioned, it then held:

In Essex, estates at Abbot's Roothing, Leaden Roothing, Fobbing, South Benfleet, Walthamstow, Hatfield, Dagenham, and Westbury; and rents in West Ham, Leyton, and Wanstead.

In Middlesex, lands at Marylebone.

In Cambridgeshire, the manor of Fulbourne.

In London, the advowsons of All Hallows Barking and St. Margaret's Lothbury.

¹ The "compact" or "nucleated" type was more convenient for tillage. A central residence was convenient for men whose holdings were scattered in all directions, while the apportionment of strips on open fields was more easily carried out on a considerable expanse unbroken by dwellings. The village of scattered cottages was more appropriate in pastoral regions.

² The rural parish of the present day is often identical in extent with the medieval manor.

³ The village mill was thus, as a rule, situated on either the lowest or the highest point in the village. Windmills are known to have been in use as early as the twelfth century.

The ideal of the manorial system was self-sufficiency. It was felt that a manor ought to produce everything which was required by its inhabitants and that they ought to be able to use everything which it produced. Entire self-sufficiency was, of course, never attained, but it will be recognised that from such a point of view external trade was regarded as undesirable and to be reduced to a minimum. A manor did, in fact, attain a considerable degree of self-sufficiency. Wheat grown in the manor was ground into flour at the mill, and bread was baked. Barley was steeped in water until it sprouted, and malt was thus produced from which ale was brewed. Beef and mutton, milk and eggs, were produced within the manor. The wool from the fleeces was spun into yarn in the cottages, and the yarn was woven into rough cloth. The hides of the cattle were converted into the leather from which footwear was made. Every manor contained an abundance of wood for building, and sometimes stone also was available for this purpose. Yet no manor was entirely self-contained. Silks and muslins and laces and ribbons had to be brought in for the ladies of the manor-house. Needles and thread were required by the women for the making and mending of clothes. Nails were wanted for woodwork. Implements and weapons of iron and steel were required. Salt was needed for the preservation of food, tar to combat the ravages of disease among the sheep. And if goods of various kinds had to be brought in, they were necessarily paid for with the surplus produce of the manor. Neighbouring towns might be too large to raise all their own food, and they relied upon supplies brought into their markets from the villages round about. Self-sufficiency, therefore, remained an unattainable ideal, but, at least, the reduction of trade with the outside world to a minimum was regarded as a sign of good management.

"Natural economy" prevailed on a medieval manor. Goods were exchanged for goods, and, as pointed out below, the services of miller, wheelwright, blacksmith, or other village artisan were given in exchange for corn, wool, eggs, or other produce. Little use was made of money in manorial transactions. But, as the practice of carrying surplus produce to neighbouring markets developed, money must have come into more common use. And it is improbable that trade with the pedlars, or chapmen, who visited the villages could have been carried on without money.

The land of the manor was classified as *demesne*, or inland, the holding of the lord, and *villengium*, or outland, which was assigned to the serfs. They, however, had no legal title to their holdings; they held by custom only, and in strict law their lands

belonged to the lord. He could dispossess them, though it was not to his interest to do so, since they provided the labour supply for the demesne. The lord who ejected his serfs would ruin his manor. Nevertheless, from the standpoint of the medieval lawyer, the possessions of the serfs were part of the demesne, which included also the extensive stretches of waste, woodland, and meadow which were to be found within the manor.¹ The term "demesne" could, in fact, be extended to cover the whole of the manor, except only the holdings of the free men. In the eastern counties these formed an appreciable part of the population; elsewhere they were few.

The land of the manor was used in various ways. Since the main economic activity of the people was tillage, the arable land was of great importance. It consisted of two or three large fields.² Each field was divided into broad belts, variously known as furlongs, shots, or flats, and these were cut up into strips. The width of a shot, or the length of a strip, was a furlong, the length of a furrow, i.e. the distance that could be ploughed by a team before it required a rest for breathing. On light soils the team could go farther than on clay, so that the length of a furlong was variable, but in course of time it became standardised at forty rods. The width of a strip might vary from manor to manor, but it was uniform in the same manor. It might be one, two, or four rods, so that the area of the strip might be a quarter-acre, a half-acre, or an acre.³ No fences existed on the great arable fields. The strips were marked off by nothing more than a row of stones or a grass balk⁴ of the width of a furrow left unploughed. The shots

¹ The legal aspect of the ownership of the land within a manor was of importance, and materially affected the allocation of land at the time of the great enclosure movement of the eighteenth century.

² In very large manors the actual number of fields might be a multiple of three.

³ These measurements must be regarded as conventional rather than exact. Some variations existed in both length and breadth. Moreover, there was for long no generally recognised length for the measuring-rod, which was supposed to be equal to that of the pole between the oxen in the plough-team. Only in the later Middle Ages was it standardised at five and a half times the cloth-yard. Thus, while "acres" within a manor were approximately equal, an acre in one manor might differ substantially in extent from an acre in another.

⁴ The view that strips of arable land were separated by balks of unploughed turf is not now universally accepted; some authorities go so far as to denounce it as being entirely without foundation. It is difficult to accept so sweeping a generalisation without reserve; no doubt there were many varieties of practice in different parts of England, and the reader is advised to keep an open mind on the question.

were divided by wider stretches of turf known as headlands; these were necessarily wide enough to allow of the turning of the plough-team.¹

Some of the strips were held by the lord and some by the villagers, and the total holding of any one man was scattered throughout the three fields. Various conjectures have been formed to account for the system as it is known to have existed. The commonest theory of its origin is that a number of men co-operated in the work of breaking up the land. One lent the plough, some sent oxen, others contributed their labour. An acre-strip represented a day's ploughing, and each man in turn received one strip. There are difficulties in the way of accepting this view without modification.² If it represented the whole truth of the matter we should expect to find the ownership of the first few strips repeated again and again throughout the shot, just as the figures of a recurring decimal are repeated again and again; but this is not usually the case.³ And the land of a man who was wealthy enough to possess a plough and a whole plough-team ought to have been in one block; but it was not. Though, however, no satisfactory theory has been advanced to account for all the features of the system its purpose seems clear. Land is not uniformly good in quality. If men had their holdings in consolidated blocks, one might have much better land than another. (This was an important consideration at a time when there was no known method of improving unfertile land.) The holding of one man might be close to his home, that of another a mile or two away. A rough equality of advantages and disadvantages was secured by the strip system, and it is possible that the strips were originally allocated by lot.

Most manors included a stretch of meadow. This consisted of grass-land from which cattle were excluded in order that hay might be cut. Hay formed the principal food of the cattle in winter, and every villager was entitled to a share in the hay harvest proportionate to the number of his oxen. The meadow was divided by hurdles into strips, and each man harvested his own hay. There might be an annual reallocation of strips. In the autumn,

¹ The actual parcelling out of the land was not so mathematically regular as the description would imply. It was necessarily modified by the general lie of the land. Odd triangular pieces of land at the end of a shot were known as gores.

² Seebohm supports and Vinogradoff opposes the rotation theory of the apportionment of strips. Vinogradoff accounts for the intermingling by the desire to secure equality of treatment.

³ Occasionally there are traces of order in the assignment of strips.

after the second hay harvest, the meadow was thrown open to the cattle for grazing.

In some of the more advanced manors there were enclosed fields which belonged to the lord of the manor or were let by him, at a fairly high rent, to the more prosperous of the villagers. These "closes" might be of either arable or meadow; if the former, they were well tilled and probably produced a higher average crop than equivalent areas in the open fields. They were, perhaps, established in those manors in which population was growing. Additional closes could be made only out of the waste; the Statute of Merton, 1235, sanctioned the enclosure of waste if sufficient was left for the needs of knights and freeholders.

The remainder of the manor consisted of champion, or waste. The use of this term must not mislead the reader into thinking it to have been valueless. Much of it was common pasture, on which the oxen and sheep of the manor grazed. Without common pasture it would have been impossible for the manorial system to be carried on. In some manors there was barely sufficient pasture, and the villagers were stinted in the number of animals they might put on to graze; frequently, however, pasture was without stint. In addition to the recognised common pasture there might be some unused land in the remoter parts of the manor which was available for rough pasture and for turf-cutting. The waste included also the common woodland of the manor, from which wood might be cut for house or plough or wagon and branches and twigs might be collected for fuel. This right was known as common of estover.

The inhabitants of the manor might be classed as free and unfree, and the latter were in nearly every case the more numerous.¹ The free included the lord of the manor himself,² his bailiff, the village priest, and, usually, a number of socmen and "free men" (*liberi homines*). But the unfree were the economically important class, since they provided all or nearly all the labour supply of the manor. They worked on the lord's land as well as on their own holdings,³

¹ It has been ascertained, from a consideration of the information given in Domesday Book, that at the time of its compilation 70% of the rural population consisted of serfs, 38% being villeins and 32% bordars or cottars. In the eastern counties there was a fairly high percentage of free men.

² The lord might, of course, be a non-resident.

³ There is a temptation to regard the use of strips by the villeins as a sort of "wage" for the work done by them, or, alternatively, to consider the work as a "labour-rent" for their land. This, however, involves the interpretation of mediæval custom by the modern conception of "contract." It is certain that neither lord nor serf viewed the arrangement in this light.

and this was so universally the case that the cultivation of the demesne by unfree labour is regarded as the fundamental characteristic of the manorial system. There were few slaves, and by the middle of the twelfth century actual slavery was extinct.¹ The unfree were serfs; they were bound to the soil, which they were not entitled to leave, and they were obliged to work for their lord.² Some of them were known as villeins, others as bordars, or cottars. There was no legal distinction between these groups, but they differed in economic status, the villeins being better off than the bordars.

Serfs had no legal rights against their lords, but they had definite legal rights against other people. A serf might not bring an action in the King's courts against his lord³ (except in the case mentioned below), but he might sue anybody else. But medieval society was governed much less by law than by custom, and the serf had definite customary rights which were in practice as secure as legal rights would have been. By custom he was entitled to his house and garden, to his holding of land, and to his share in the hay harvest. He might graze his cattle on the common pasture and put his pigs to grub for acorns in the wood. He might cut wood for the repair of his house or plough or wagon, and, though he was bound to work, he was entitled, in accordance with the custom of the manor, to holidays on certain holy days.

The full villein held a virgate, or yardland (usually, but not invariably, thirty acres), in the open fields, i.e. ten acres in each field. He was thus commonly known as a virgater, or yardling. The half-villein held fifteen acres, known as a bovat, or ox-gang. Bordars or cottars held much less—from one to five acres. Holdings were usually hereditary. In the later Middle Ages villein holdings were not quite so regular, but their extent usually stood in some intelligible ratio to the original virgate, e.g., 22½ acres, 37½ acres, 45 acres, etc. Excessive subdivision was discouraged.

¹ Slaves had been absorbed into the class of bordars.

² Much patient investigation has been made of the question of the growth of this class of unfree tenants. It is impossible to discuss the matter in this book, but the accepted view may be stated briefly—that freedom was much more general in early Anglo-Saxon times, that it was gradually lost, as men “commended” themselves to a lord in return for his protection, that the Norman Conquest was followed by the further depression of men who were formerly free, and that the process continued for some time after the Conquest. Between the thirteenth and the fifteenth centuries the reverse movement was taking place, and, as will be explained later, serfdom gradually disappeared.

³ If he did so, the lord's reply, “The man is my villein,” would be treated by the court as an adequate answer, and the action would fail.

It was to the lord's interest to see that the holding was kept intact, in order to simplify the enforcement of obligations; the tenant of a very small holding might find difficulty in connection with ploughing if he could not maintain the necessary oxen.

The villein had to render the customary services to his lord, on whose land he had to work two or three days in each week. The actual number of days per week varied from manor to manor, but it is probable that the usual number was three, except on royal manors, on which it was more commonly two. An English serf was rarely liable for more than three days' work in the week,¹ though in some parts of Europe serfs were obliged to work for as much as six days a week for their lords. The nature of the services to be rendered by the villein was uncertain. He might be put to ploughing, sowing, reaping, carting, cutting wood, washing or shearing sheep, repairing a hedge, or any other task connected with manorial agriculture. For ploughing he had to provide his own yoke of oxen. The ploughing of an acre-strip was regarded as a day's work, and was commonly known as a "work." It did not always occupy a full day, and when it was complete the villein was free to return to his own holding. It is probable, moreover, that he was permitted to send a deputy to perform his week-work; he might send one of his sons, or a hired man, to represent him. At certain busy times in the year, such as sowing and harvest, the villein was called upon to do additional work, known as boon-work; he had to perform this in person, since practically everybody in the manor was at the lord's disposal at such times. All the members of the villein's family, except his wife, were expected to accompany him by appearing on the lord's land on boon-days. Food was provided for boon-workers by the lord. The villein was further liable at any time to be called from his own work to do cartage for his lord, but the amount of this, as of the number of boon-days which might be demanded in the year, was fixed by custom. Finally, the villein was obliged to render to the lord certain payments in kind or in money—a goose at Michaelmas, eggs at Easter, and the like. These minor liabilities varied from manor to manor.

The villein was subject to many disabilities. He might not leave the manor without his lord's permission, which ordinarily would not be given, and if he fled he might be pursued and brought back in bonds. If for any reason he wished to live elsewhere than on the manor, even though he continued to render his services, he

¹ Examples are known of English serfs being obliged to do four, and even five, days' work in the week for their lords, but these are exceptional.

had to obtain his lord's consent, and for this he was required to make a payment called chevage. He was bound to have his corn ground at the village mill, which belonged to the lord, to whom the miller paid a rent; the lord was entitled to search for and confiscate any millstones in the possession of the serfs. Without the lord's permission the villein might sell neither ox nor horse. Neither he nor his son might learn to read.¹ (Education was limited to those who aspired to the priesthood. But priests were free men, and if the villein were ordained his lord would lose his services.) When the villein's daughter was married merchet was payable to the lord.² When the villein died his son could not succeed to his land without paying a fine, nor to his chattels without paying heriot, which was the lord's right to the best beast in the villein's stable. The villein might not sue his lord in the King's courts (except in respect of his "wainage," which probably included all agricultural implements, and possibly crops also), and he was subject to the jurisdiction of the manorial courts. Finally, the lord might tallage (tax) his villeins, but, unlike continental nobles, he had no power of life and death over his serfs.

Bordars, or cottars, were serfs who were inferior to villeins in economic position, though not in legal status. In some parts of the country these men were referred to as bordars; elsewhere they were styled cottars.³ Some attempt has been made to show that these two terms applied to distinct classes, bordars being superior to cottars. But it is probable that there was only one such class and that the terms may be regarded as synonymous, though this can hardly be regarded as proved. Bordars possessed neither oxen nor plough, they held less land than villeins,⁴ and they were obliged to work for the lord on only one day in the week. Hence they were sometimes called Monday-men (*lundinarij*). It is obvious that with less land of their own to cultivate and with a

¹ But by the Statute of Artificers, 1406, it was enacted that "every man or woman, of whatever state or condition, shall be free to set their son or daughter to take learning at any school that pleaseth them within the realm."

² In some manors merchet was payable only if the girl married a man of another manor. Occasionally it was demanded in respect of the marriage of the son of a villein.

³ It is sometimes asserted that bordars held up to five acres of land, and that cottars were landless men who possessed only their cottages. But there is evidence that, in some cases at least, cottars held small pieces of land.

⁴ There is some uncertainty as to whether the small holdings of the bordars were in the open fields. Vinogradoff thought they were not; Ashley takes the opposite view.

smaller obligation to the lord they had a certain amount of spare time in which they were able to undertake work for wages. They were employed in this way either by the lord or by the more prosperous villeins, and it is as the source from which sprang the modern class of agricultural labourers that they are economically and historically important. The manorial artisans also, the carpenter, the wheelwright, the blacksmith, and others, were recruited from this class. In return for their services to the community such workers received some agreed payment in the form of produce. It may be added that the restrictions and obligations described above as resting on the villeins applied equally to bordars.

It was possible for a serf to obtain his freedom. The lord of the manor might, though he very rarely did, grant freedom to a serf. More frequently release was obtainable by purchase. It was held in strict law that all the villein's possessions belonged to the lord, so that the man who had saved money enough to buy his freedom might find that the lord would take the money and refuse to release him. This rarely happened, however, and the risk of its occurrence might be minimised by the deposit of the money in the hands of a third party, such as the village priest. If a villein was ordained by a bishop he became free. And though, if he fled from the manor, he might be pursued and brought back forcibly, this had to be done within a year and a day. If he maintained his freedom beyond this period he could not be recovered.

From what has been written it might be assumed that the lot of the serfs was far from being pleasant. Yet in practice they were not unduly oppressed. Their standard of life was low as compared with that of the working classes of the present day. Nevertheless, they were not liable to the mischances which sometimes affect the well-being of the working man of to-day. There was no fear of unemployment, and neither old age nor sickness was to them an economic disaster. Even the death of a villein with only young sons to succeed him did not involve the loss of the holding. His widow was usually permitted to retain it in return for such services as the family could render to the lord. A serf might not leave the manor, but he rarely wished to leave. Even the status of villeinage was not entirely humiliating, since in law a serf was treated as a free man except in relation to his lord. It was not to the lord's interest to oppress his serfs. The action of any lord who disregarded custom and oppressed his inferiors by a too harsh insistence upon legal rights would recoil upon himself, since the prosperity of the manor depended on the

existence of a body of contented serfs to supply the necessary labour.¹

On many manors, especially in the eastern counties, were a number of free men.² These are described in Domesday and other records either as socmen or as *liberi homines*. These are nowadays usually recognised as distinct classes, though it is by no means certain that this was the case. It has been suggested that the *liberi homines* were superior to the socmen in that the latter were not allowed to sell their holdings of land without the consent of the lord and were subject to his jurisdiction in the manorial courts, while the former enjoyed full liberty in these respects. But examples to the contrary are to be found, and the question of the exact nature of the distinction remains uncertain. Free men might have to render rent to the lord in respect of the land which they held, and this might be either in money, kind, or labour.³ They might even be liable, as were villeins, to fine and heriot upon succession. The distinction, therefore, between free men and serfs is not easy to draw, but it may be stated that free men were at liberty to abandon their holdings and leave the manor, they could sue the lord, and they were not usually liable to the payment of merchet.⁴ The difficulty of drawing the distinction is enhanced by the fact that a man of villein status might occasionally hold a piece of land for which rent was paid, while in some cases men who were undoubtedly free held land on villein tenure and were, nevertheless, able to maintain their free status.

¹ The importance of this point was fully recognised in Russia before the emancipation of the serfs by Alexander II. Great landowners invariably referred to the extent of their estates by mentioning the number of "souls" they contained.

² These free men were descendants of Danish settlers, men who had preserved their freedom, or they may have been men (or the descendants of men) who had received grants of land in return for special services. In Domesday about 23,000 socmen are mentioned, in addition to 12,000 *liberi homines*. The latter are hardly met with outside the counties of Norfolk, Suffolk, and Essex.

³ The labour-rent of a free man of the manor was distinguishable from the forced work of the serf chiefly by its greater certainty, in both character and amount. It was, as a rule, small in amount by comparison with the value of the land.

⁴ The usual tests of villeinage were liability to merchet and to chevage, subjection to tallage at the will of the lord, inability to sell oxen without the lord's permission, liability to service as reeve, and uncertainty of services—the villein did not know on any day to what task he might be put on the morrow. Liability to merchet, by itself, was not an absolute test of villein status, since it was not universal among men who were certainly villeins, and, on the other hand, it was not entirely unknown among socmen.

In economic position the more prosperous villeins and the free men were indistinguishable.

Reference has already been made to the manorial courts. These were held two or three times, and sometimes more frequently, in each year by the lord or his steward,¹ and all who were subject to the lord's jurisdiction had to attend. Punishment was meted out for petty crimes, the inheritance and transfer of land was registered in the court roll, and fines were exacted for neglect of duty and for breaches of custom. The decisions of these courts were based on manorial custom, and juries might be empanelled to declare what was the custom upon points in dispute.²

Manorial agriculture in early times was carried on under the two-field system, which in course of time gave place to the three-field system. Under the latter, two fields were cultivated and one field lay fallow in any one year, each of the fields having its year of rest in the course of a triennial rotation. On the first field rye or wheat was grown; on the second, barley or oats or beans. Clover, potatoes, and root-crops such as turnips and swedes were unknown. Wheat or rye was sown in autumn and harvested late in the following summer; barley was spring-sown and was gathered in during the autumn. The wheat harvest, therefore, preceded the barley harvest. Wheat and barley were cut with the scythe,³ and most of the straw was left standing in the field. The yield was poor, averaging no more than six to eight bushels per acre. Manuring was unknown.

After the wheat crop was gathered in, the field was thrown open in order that the cattle might graze upon the stubble, weeds, and grass (of the balks, headlands, etc.). This grazing on the arable after the harvesting of the crops was known as the Michaelmas grass. Cattle were pastured on the meadow also after the hay was cut; this was the Lammas grass. The right of the villagers to pasture their cattle on the arable was known as common of shack.

A consideration of the accompanying diagram will indicate that land was actually under cultivation for about eighteen months in the period of three years. The kind of crop to be grown and the times of sowing and reaping were fixed by custom, to which all strip-holders were expected to conform; so strong was custom,

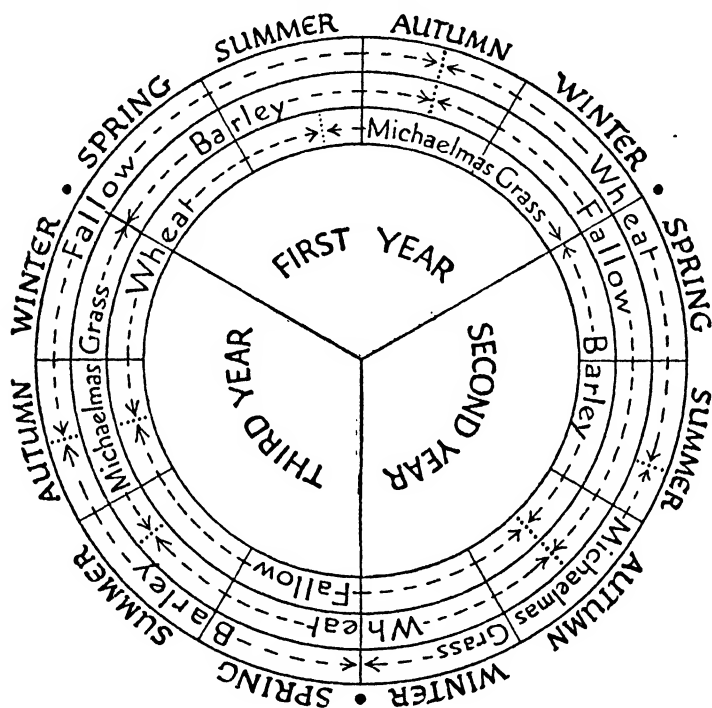
¹ A lord who held many manors employed a steward to visit them periodically. His duties included, in addition to inspection of the bailiff's accounts, the holding of the manorial courts and the making of entries in the court rolls.

² It would appear that the proceedings in the manorial courts tended in course of time to make the services of the villeins more certain.

³ Hay was mown with the sickle.

in this respect at least, that it may be assumed that they never thought of departing from it.

The harvest from the demesne belonged to the lord, who, if he possessed several manors, might with his retinue visit them in turn in order to consume the produce. In other cases it was sent



up to the manor-house, and, if the lord was in residence, it was used by him and his family and his immediate dependants. If he lived elsewhere it might be sent to him, the villeins being obliged to convey it, or it might be sold in the market of a neighbouring town. The money obtained from the sale of the produce of his manors formed the revenue of a great lord, and a large part of the royal income was raised in this way.

The most important and the most arduous of agricultural operations was ploughing. The great plough was drawn by a team of eight oxen; four oxen were sufficient for a smaller plough.

It is possible that the larger plough was used for breaking up new ground and the smaller for turning over soil already under cultivation. Another view is that the great plough was used on the demesne and the small plough on the villenagium. As the ordinary villein possessed only a yoke of oxen it was necessary for men to co-operate in ploughing. The fallow field was ploughed more than the cultivated fields; its soil was turned over twice, and possibly three times, in the course of the year.

The animals on the manor were, by comparison with the farm stock of the present day, small and of poor quality. Underfeeding, the prevalence of contagious diseases, and the absence of selective breeding all contributed to prevent improvement. Oxen were thin and muscular; they were valued for their power of draught and not for beef. Sheep were subject to a disease known as scab, from which many died, and even healthy animals yielded a fleece of no more than one to one and a half pounds in weight. Pigs and poultry were numerous. The problem of feeding the stock throughout the winter was never adequately solved under the manorial system. A slender ration of hay was the only food available for the animals during several months in the year. Surplus stock was killed in the autumn in order that the supply of food might be eked out among the rest of the cattle. The flesh of the slaughtered animals was salted down, that it might be used as food during the winter. Salt, however, was scarce and dear, and the meat was often imperfectly preserved. In order to make tainted meat palatable, spices, imported from the East, were used. (The demand for spices throughout western and central Europe laid the foundation of the prosperity of Venice and, later, of the English East India Company.)

The management of the manor was in the hands of the bailiff, whose duty it was to enforce the obligations of the serfs. In this he was assisted by the reeve and the hayward. These were men of villein status who were relieved of ordinary servile duties in order that they might act with the bailiff in the work of supervision. The reeve controlled the serfs engaged in week-work; the hayward attended to the boon-work and to the management of woods and meadows. In small manors there may have been no reeve. The bailiff had to keep accounts, and from time to time, when the lord's steward visited the manor, to submit his books to the inspection of that official.

In concluding this chapter it will be well to recapitulate the essential characteristics of the manorial system. In the first place, during the time and throughout the region of its prevalence it was

universal. Except for such parts of the land as were wilderness it covered the whole country; it did not exist side by side with other systems.¹ Even medieval towns were merely more fully developed manors. In the second place, there was among manors a considerable degree of uniformity of organisation and of working. In many details of custom and practice there was, indeed, infinite diversity, but in the main lines of organisation manors were very much alike. The manor was in the possession of a lord who had definite rights over the inhabitants. Over the greater part of the country it was organised primarily for tillage, which was carried on under the open-field system. Cultivation was carried on for subsistence and not for marketing, though in the later Middle Ages a certain amount of surplus produce was sold. The manor aimed at self-sufficiency, and this ideal was attained in greater or less degree according to circumstances. The guiding principle of the manor was custom, but though custom was strong it was not all-powerful. Finally, and most important of all, the basic feature of the system was the cultivation of the lord's demesne by the labour of serfs. While this continued, the manorial system remained unchanged; when this method of cultivation had passed away the manorial system, properly so called, had ceased to exist.

It is easy to notice, and perhaps to exaggerate, the defects of the manorial system. Communal cultivation, regulated by custom, prevented intelligent and enterprising men from making experiments. All were bound to follow the customary sequence, and improvement was impossible. Land could not be cleared of weeds, which would spread from the strips of the idle to those of the industrious. Boundary disputes were common; the accusation of cutting into the balk was often brought by one man against his neighbour. Time was wasted in passing from one strip to another. Yet the system was suited to the needs of the time. Food was produced, and the country folk lived in what was for the time a fair degree of comfort. Open-field cultivation, though not by servile labour, was retained in some parts of the country until the beginning of the nineteenth century. Perhaps the chief reason for its long survival lay in the difficulty of making a change rather than in its inherent merits. It outlived its usefulness and became a nuisance; nevertheless, a system which served the country for many centuries must have had much to commend it, and it ought not to be condemned too readily.

¹ Recent investigations have cast some doubt upon this conclusion.

CHAPTER II

TOWNS AND TRADE IN THE MIDDLE AGES

IN the Middle Ages English towns were neither large nor numerous.¹ The population of medieval London has been estimated at from 25,000 to 30,000, and the only other places with more than 10,000 people were York and Bristol. A few other considerable towns had populations of from 5,000 to 10,000; the remainder were quite small, and there were some whose inhabitants might be numbered by hundreds rather than by thousands. Such places corresponded in size to the modern conception of large villages rather than of towns, and in some other respects they were rural rather than urban. The majority of medieval towns were, in fact, merely rural manors² which, for some reason or another, had attracted additional population and had acquired certain urban characteristics which will be mentioned below, and for centuries they retained traces of their rural origin.

The factors which led to the development of a town out of a country village were varied, and it is often possible to attribute the growth of a town to the concurrence of several favourable circumstances. Towns existed in Roman Britain, and though, in the period of chaos which followed the departure of the legions, these towns disappeared entirely or suffered severely, it is likely that the conditions which influenced the Romans in selecting a site for a settlement had a similar effect upon succeeding races in later centuries, so that many towns are on or near the sites of Roman cities. The presence of building material would afford an additional inducement to Saxons and Normans to build their churches and castles at such places.

Advantages of position determined the sites of many other towns. The junction of two important roads, or of a road and a river, or the confluence of two rivers, afforded a position favourable

¹ It has been estimated that about eighty towns are mentioned in Domesday; about forty of these had, in 1377, populations of over a thousand.

² The following stages may be traced in urban development:

(a) Enlarged villages, with only a few burgesses not connected with agriculture.

(b) Sufficiency of population and wealth to enable the town to negotiate with its lord for a charter. Formation of a merchant gild.

(c) Further growth, with greater complexity of organisation. Formation of craft gilds.

(d) Development of capitalist industry, and of a wage-earning class.

for internal trade. Where good harbours were to be found ports came into existence; frequently, however, ports were not on the coast but were situated at a point on a river which was at the head of navigation for the craft of the time. A port which was thus fifteen or twenty miles from the coast was less exposed to direct attack from the sea, and such a position was advantageous for the collection and distribution of goods from and to the interior of the country.

Other towns developed in the proximity of a great monastery or cathedral. The inhabitants were to a considerable extent engaged in supplying the needs of monks or clergy, and of pilgrims also, if the church contained the shrine of a well-known saint. Some towns possibly originated as fortified centres to which the inhabitants of the countryside could retreat in times of special danger.

From early times some of the inhabitants of a town were engaged in trade. Merchandise was accumulated there, and the hedge which commonly formed the boundary of a manor was insufficient as a protection for a town, which was enclosed by a wall¹—of earth or masonry. It is perhaps possible to differentiate between village (which is sometimes called "township") and town by suggesting that the latter term became appropriate when the growth of a place was sufficient to bring about the building of a wall of some kind or other.

The development of a manor into a town did not destroy the rights of the lord of the manor. The burgesses of a town, however, formed a larger and wealthier body of men than the serfs in the rural manor, and they were often able to extort privileges from the necessities of their lord. Towns under royal jurisdiction obtained, usually by purchase, charters from the King, who was more interested in raising money for wars and crusades than in attending to the internal affairs of small boroughs. Towns which were subject to lay lords acted similarly, and in the main with a like degree of success. Ecclesiastical lords were more tenacious of their rights, and the unlucky towns which were subject to a monastery or a bishop were often far behind the others in the acquisition of municipal privileges.

The general aim of the townsmen in applying for charters was to secure freedom from external control, and the various privileges which were sought were not always conceded in a single charter. Nor should it be assumed that uniformity of privilege existed as

¹ *Tun* (from which "town" is derived) was an Anglo-Saxon word meaning enclosure, fence, hedge; hence, a manor. *Burh* (from which "borough" is derived), in Anglo-Saxon, was a fortified place.

between town and town. Nevertheless, it is possible to distinguish a number of rights which were common in fully enfranchised boroughs. They paid their contributions to the royal exchequer directly, and not through the sheriff, whose exactions were thereby evaded;¹ the amount which the town was expected to pay was fixed, and was known as *firma burgi*. A town possessed a borough court, which dealt not only with legal business but with the general conduct of town affairs. It was presided over by the reeve, or mayor. The advantage of the establishment of a borough court was twofold. Outsiders were prevented from exercising authority within the town, and the profits of the court (from fines) were not lost to the town. A further right expressly conceded in borough charters was that of personal freedom. The terms of the grant varied, however. In some cases it was applicable to all townsmen, or to all who had resided within the walls for a year and a day (thus securing the freedom of the refugee serf), while in other cases the grant was restricted to members of the merchant gild or to men who complied with some other condition. The establishment of a merchant gild was another and a vital privilege; this important feature of medieval town life is dealt with below. Finally, a borough charter might include authority to hold a market or a fair.

Markets existed in most medieval towns,² but they were not always under the control of the authorities of the town. The right to hold a market was granted by the Crown, and though it was frequently conceded to the town authorities it was sometimes held by an individual. Some markets were in the possession of the Church, and occasionally the right to hold one was retained by the Crown. Markets were profitable to their owners, since tolls were exacted from sellers, and occasionally from buyers; there was also, for the use of booths and stalls, a charge called stallage.³ Markets were of great importance in a time when there was little other opportunity for the exchange of goods, and they facilitated the medieval practice, enforced alike by custom and by law, of

¹ The sheriff (shire-reeve) was responsible for the collection of money (taxes, rents, etc.) due to the King from the shire, and for its payment into the exchequer at Westminster. The amount due from each shire was fixed, and was known as the *ferm* of the shire. It was believed that sheriffs often exacted more than the amount of the *ferm* and retained the excess. It was therefore to the advantage of a town to have a separate *ferm*, to be paid direct to the exchequer, and not through the sheriff. See p. 100.

² The establishment of a market was not in itself sufficient to constitute a borough, and the distinction between "corporate towns" and "market towns" must be kept in mind.

³ Official scales might be provided.

concluding bargains in the presence of witnesses. In the event of dispute subsequently arising it was advantageous to be able to adduce evidence of the terms of a transaction. Except in London, where markets were open every day, they were held once a week,¹ and it was unusual for the market-day to be changed. To this day, in a very large number of country towns, the market-day has remained unchanged for centuries.²

Fairs, which should not be confused with markets, were held annually. Two, or even more, fairs might, indeed, be held in a town in the course of a year, but they were regarded as distinct from one another, each being held once a year at its proper time. While markets were held for the convenience of townsmen and of people who lived within easy distance of a town, fairs attracted visitors from all parts of the country and even from other lands. They were usually opened on the feast-day of some saint, and were held near a shrine. It is probable that many fairs originated in the gatherings of pilgrims at the shrines of saints. Men would travel long distances in order to offer their prayers at famous shrines, and it is not unreasonable to suppose that they combined business with devotion by bringing with them wares which they might sell to their fellow-pilgrims. Originating in this way, it is not surprising to find that fairs enjoyed the especial patronage and protection of the Church. Though many famous fairs began thus, the right to hold a fair was often the subject of a grant from the Crown; it is probable, however, that many such charters did no more than give official recognition to gatherings which already existed.

The business transacted at a fair was not, as a rule, miscellaneous in character; it was mainly concerned with a single important commodity, such as wool, hides, cloth, horses, etc. Nevertheless, the mere assembly of a large number of people at one place stimulated business in a number of other directions. At any fair there was a considerable volume of business in articles of food and drink, and trade in clothing was brisk, while astrologers, magicians, acrobats, and jugglers set up their tents and profited from the concourse of people.³

A fair might last no more than a single day, but it commonly continued for a week, and this period was occasionally extended.

¹ In Lincoln and a few other important towns markets were held on more than one day.

² Neighbouring towns usually held their markets on different days. It is possible that this arrangement was intended to enable men who lived within reach of more than one market to visit different towns on market-days.

³ This aspect of the fair—amusement and entertainment—is all that remains in many present-day fairs.

During its continuance the town officials yielded their authority to the officers of the fair, so that the ordinary restrictions on trade within the town were suspended. Proclamation was made relating to the maintenance of the peace, to the conditions under which business was to be transacted, and to the settlement of disputes. As many of the visitors to the fair were from distant parts it is obvious that the slightest delay in the settlement of a dispute would have been equivalent to a denial of justice. A special court, known as a Piepowder Court,¹ was set up to deal immediately with cases which arose. Piepowder courts held in places as far distant as York and Winchester, Lynn and Bristol, were attended, possibly, by the same merchants, who visited many fairs from time to time. From the needs of their calling they evolved a body of commercial usages, the Law Merchant, which came to be regarded as binding on the trading community in general, though it was not based on the statute law or common law of any of the countries in which it was recognised.²

Fairs made an important contribution to international trade in the Middle Ages. Traffic in goods from far distant lands, which would otherwise have been unobtainable, was facilitated. Yet it is possible to form an exaggerated estimate of the importance of many of the fairs. Although a large number existed, only a few of these were of international renown, and it is, perhaps, difficult to understand why some fairs became important, attracting thousands of visitors from near and far, while others obtained little more than merely local repute. Probably the most famous fairs³ owed their importance partly to their position and partly to the date on which they were held. Certainly it was the custom for merchants who attended fairs to go on a round of them, so that places which were not conveniently situated, or in which fairs were held at inconvenient times, were less likely to attract visitors.

From early times merchants formed a distinct social and economic class;⁴ they aimed at securing wealth, or at least a living,

¹ From O.Fr. *piepoudreux*, a hawker, or O.Fr. *pied*, foot, and *pouldré*, dusty. Cf. Fr. *poudreux*. The word evidently refers to the stains of travel which would be in evidence among those who attended the fair.

² Piepowder courts appear to have been less important after 1350, their place having been taken by the courts of the Staple.

³ The most famous English fairs were those of St. Ives, Winchester (St. Giles), Stourbridge, and St. Bartholomew, Smithfield.

⁴ Some overseas trade existed in pre-Conquest times. The connection of England with Normandy stimulated trade between the ports of the south-east and the Continent. East coast ports carried on commerce with Scandinavia and the Baltic, while Chester and Bristol were engaged in trading with Ireland, principally in slaves.

by the exchange rather than by the production of goods, and there was a natural tendency for them to live in towns. Only in towns were opportunities for commercial activity to be found, and only behind the wall of a town could merchants obtain a reasonable degree of protection for their goods.

In all directions medieval life was communal and co-operative in character.¹ It was to be expected, therefore, that merchants who lived in the same town should be grouped together in an association for mutual benefit and protection and for the acquisition of special privileges. Such an association was known as a merchant gild.² It is sometimes assumed that the gild included the whole of the burgesses of the town, or, what comes to the same thing, that only members of the gild were entitled to be regarded as burgesses. It is reasonable to suppose that every burgess was entitled to be enrolled upon payment of the admission fee, but there were probably in a town some men who ranked as burgesses who were not engaged in trade and who did not seek gild membership, while it is known that gilds occasionally admitted to membership outsiders who were not burgesses.

There is no clear evidence of the existence of merchant gilds in this country before the Norman Conquest, but they were to be met with in most English towns³ in the twelfth and thirteenth centuries, and they became an exceedingly important feature of civic life. It has been conjectured that their introduction into England was in imitation of an institution already prevalent on the Continent. Such an explanation of their origin is unnecessary; it is sufficient to recognise that their existence was in entire accord with the whole tendency of medieval life, and it may be assumed that the factors which led to the rise of the merchant gild on the Continent were equally potent in this country.

The privileges of the merchant gild were secured by the charter, which, as stated above, was granted by the Crown or by the lord of the manor. In general, the members of the gild enjoyed a

¹ Gilds and fraternities of other kinds, especially religious, existed in England from early times, and continued throughout the Middle Ages.

² The word is derived from an A.-S. verb, *gylðan*, or *gildan*, to pay, and is connected with *geld*. There is an Icelandic word, *gildi*, tribute. From this account of the derivation of the word it will be seen that there is no etymological justification for the spelling "guild." The form "gild" is used by most historians.

³ Towns in which no merchant gild is known to have existed include London and the Cinque Ports, and perhaps Norwich and Colchester. In the case of London and the Cinque Ports it is possible that from time immemorial these places possessed rights of trade which made it unnecessary for them to seek gild privileges.

monopoly of trade within the borough.¹ They alone were entitled to buy and sell, wholesale and retail, at all times without payment of toll. But strangers were commonly permitted to visit the town in order to sell wholesale, and on payment of tolls,² to gildsmen. They might not sell by retail, nor trade at all with non-gildsmen; such concessions would have destroyed the value of the gild monopoly.³ Townsmen who were not of the gild might buy and sell provisions within the town. Other exceptions to the monopoly occasionally existed, for it is improbable that entire uniformity of privilege existed among merchant guilds throughout the country.

The ideal of the gild was to establish and enforce fair trading at customary prices, and practices which were inconsistent with this ideal were discouraged or positively forbidden. From the medieval point of view there was a "just price" for every article, which was based mainly on the cost of its production. A reasonable profit might be made by the trader, in order that he might live in that degree of comfort which was appropriate to his class, but to aim at excessive gain was contrary to the view then held of Christian morality. The just price ought not to be lowered or exceeded if both buyer and seller were to receive fair treatment. It was held to be unchristian to force prices up in a time of scarcity and thus to take advantage of the necessities of others; it was equally wrong to allow prices to fall in consequence of a glut, thus causing loss to honest merchants.⁴ Regrating, which was the practice of buying goods in order to sell them again in the same market at a higher price and without adding to their value, was forbidden. Another prohibited practice was forestalling, which consisted of the purchase of goods on their way to the market or immediately on their arrival and before the market had properly opened, in order to get them more cheaply. Engrossing, which also was forbidden, was the medieval counterpart of cornering—the buying up of the whole, or a large part, of the stock of a commodity in order to force up the price. These abuses were closely

¹ The monopoly occasionally extended for a specified distance beyond the town.

² The exaction of tolls from non-gildsmen who were permitted to trade in the town was justified on the ground that they did not contribute to the *firma burgi*, which included a composition for tolls which would otherwise have been due to the Crown.

³ Non-gildsmen were definitely excluded from trade in such commodities as corn, wool, and leather.

⁴ In the event of a merchant being unable to clear his stock at the normal price he was not permitted to reduce the price without the sanction of his brethren of the gild; if, however, this were withheld he could require them to take his surplus stock off his hands.

allied to one another and could not always be clearly distinguished. They were exceedingly common, and the frequency of complaints and the abundance of regulations about them show that the practice of medieval traders often fell below the ideal set up by the gild.

The regulation of trade was an important function of the gild merchant. Goods offered for sale were subject to the inspection of officials appointed by the gild, and wares which failed to reach the proper standard of quality were confiscated and their owners punished—by fine, or even by loss of gild if the offence were repeated. "Assizes" were promulgated with regard to weights, measures, qualities, and prices of provisions and other things, and, though evasion was frequent, the very existence of such regulations shows that the need of protecting purchasers from the tricks of dishonest traders was recognised.

The communal character of the gild merchant is brought out clearly by a consideration of the right of lot. A gildsman who made an advantageous purchase of goods was compelled to share his bargain with his fellow-gildsmen. This right of lot was, however, subject to restrictions which varied from town to town. In some places the privilege was limited to those who were present when the original bargain was concluded; in others the amount which might be claimed was limited, the major portion being left to the original purchaser; in yet other cases the original purchaser was permitted to make a limited profit on the goods taken off his hands by his fellows. A practice allied with this, and possibly springing from it, was that of bulk purchase by the gild itself,¹ the goods being afterwards shared by members at prices which, while allowing a profit to the gild, enabled the gildsmen to sell by retail and make a reasonable profit. By these means equality of opportunity in trading was secured to the gildsmen, and the natural tendency of the wealthier men to monopolise trade was held in check. The gild, too, in this way, benefited at the expense of alien merchants, and it is not impossible to discern in the practices described above the germ of company trading.

The protection and support of his gild was valuable to a merchant in connection with the collection of debts. Legal action was slow, expensive, and uncertain, and gildsmen were not expected to avail themselves of it if other means of redress existed. The gild was ready to enforce the honouring of obligations as

¹ But the gild was not a trading company, and the practice of buying in bulk by the gild was exceptional. The "regulated" companies which will be described in a later chapter were in some respects not unlike merchant gilds.

between its own members; when, however, debtor and creditor lived in different towns and belonged to different gilds the matter was not so simple. The refusal or inability of the debtor to pay his creditor was followed by the latter laying his case before his gild. The gild might protest to the debtor's gild, which might bring pressure to bear upon the delinquent, and this was often sufficient. If necessary, the gild of the creditor might seize the goods of other members of the debtor's gild; they could only complain to their own organisation, which could only compel the debtor to compensate them, so that by a roundabout process a rough kind of justice was done.

Such a procedure was open to objection. Men who were neither liable for nor surety for a debt found themselves despoiled of their goods through no fault of theirs, and with only an uncertain prospect of ultimate redress. It became common in course of time for towns to obtain from the Crown charters by which their gildsmen were exempted from this process of distraint on account of other people's debts. By the First Statute of Westminster, 1275, the seizure of the goods of a merchant for any debt other than one for which he was personally responsible was prohibited. The Statute was not rigidly obeyed; it offers an example of the difficulty of enforcing a law which is far in advance of public opinion, and there is ground for supposing that the older custom was acted upon from time to time until at least the end of the fourteenth century.

The difficulty of enforcing payments between men who were members of different gilds was sometimes overcome by the establishment of agreements between towns. Such trade treaties were frequently made in the later Middle Ages, and they dealt with a number of points arising out of commercial intercourse, such, for example, as the exaction of tolls. London was connected with a number of other important towns by separate treaties, and so was Southampton. Such agreements might be entered upon even between towns in different countries,¹ and without reference to the national government on either side.

The activity of the merchant gild was not limited to commercial matters; its religious and philanthropic aspects call for attention. The gildsman who was ill and in need received help, and the member who had been overtaken by misfortune was also assisted. It was the duty of the gild to pay for masses to be said for the souls of its deceased members, and to provide, if necessary, for the support of widows and orphans.

¹ An agreement existed between London and Bayonne.

At the head of the gild was the alderman, who was assisted in the management of its affairs by two or four wardens and, usually, by a council. In large gilds special functions might be assigned to other officials; the number of these, and, indeed, the complexity of the organisation of gild management, naturally varied with the size of the gild. At the *morwenspeches* (periodical meetings) of the gild new members were admitted, ordinances made, and other business transacted. Banquets might follow.

A gild court was held for the settlement of disputes between members and for the trial of offences against gild ordinances. Yet such matters were sometimes dealt with in the borough court, and it is not always easy to distinguish between these two tribunals.

The relationship of the gild merchant to the town is a subject of much interest, and it has given rise to a good deal of controversy. It would not be right to regard the gild as identical with the governing body of the town. Yet the gild was something more than a private society analogous to a "Chamber of Commerce" of the present day; it was undoubtedly closely connected with the borough administration. In this, as in so many other aspects of medieval life, it would seem that the attempt to portray a state of affairs as existing uniformly in every town is conducive to error.¹ But it may be asserted with some degree of confidence that most of the gildsmen were burgesses and that the majority of the burgesses were gildsmen; further, the same men would be active in the gild as in the town. The wealthiest and most prominent of the citizens would hold office in both. There was no opposition of interests between town and gild; the prosperity of the one was the prosperity of the other, and it is reasonable to suppose that the government of town and gild tended to merge into a single organisation.

¹ A good deal of variety of practice existed; only as intercommunication increased and nation-wide standards were set up could uniformity of town government be expected.

CHAPTER III

CRAFT GILDS

It has already been pointed out that every medieval town included among its inhabitants a number of men engaged in trade and that in nearly every town the merchants were associated in a society known as a merchant gild. In course of time the skilled workmen who were engaged in the production of goods were found to be grouped together in organisations which also were known as gilds.¹ In all but the very smallest of towns each craft had its own gild. It has been suggested that the early craft gilds consisted of men of inferior status in the towns, men who were without property and who resented the domination of the wealthy burghers who controlled the merchant gild and the town government. This conjecture implies that the craft gilds originated in antagonism to the gild merchant, and though there is in existence evidence of such conflict in some continental towns there is little to support the view that similar hostility existed in England. As in the case of the gild merchant, it is sufficient to remember that the whole tendency of medieval life was towards co-operation and that it was natural for men engaged in similar occupations to be grouped together.

There were, in fact, two forces which tended to bring about the full establishment of the gild system in industry. The natural tendency of men of like aims and occupations to associate was supplemented by the insistence of the authorities of the town.² These high officials, who, it will be remembered, were in practically all cases closely connected with the gild merchant, were concerned to see that goods offered for sale were of good materials and sound workmanship, and they demanded that in each craft a certain standard of quality should be maintained. For this purpose they required the men of the craft to appoint officials to inspect the products of the workshop, and in course of time this involved the

¹ Craft gilds are known to have existed as far back as the earlier part of the twelfth century. Weavers' gilds existed in 1130 in London, Lincoln, and Oxford, and not many years later there were gilds of bakers in London, cordwainers in Oxford, and fullers in Winchester.

² Some craft gilds were formed without authorisation. They were known as adulterine gilds, and they were liable to be suppressed.

establishment of a complete system of industrial regulation. The craft itself¹ developed into an organisation, the craft gild, and, as it was impossible to compel the craft gild to be responsible for the skill and honesty of men who were outside it, membership became compulsory.²

The control of an industry was thus in the hands of the craft gild, but the gild itself was definitely subject to the authority of the government of the town.³ If it was felt that the gild was performing its functions inadequately, or if it was suspected of acting in a selfish manner, placing the interests of its members before those of the public, the municipality did not hesitate to supplement or override its ordinances. But the gild itself developed an ideal which, if put into practice, made the interference of a superior authority unnecessary. It aimed at maintaining a high standard of production and at securing a reputation for fair dealing. It insisted that prices should be reasonable, and that they should be neither raised nor lowered in consequence of scarcity or glut. The craftsman was entitled to its protection, and it was recognised that he ought to be able to secure a comfortable living, but the maintenance of the reputation of the gild for sound workmanship and fair dealing was regarded as of greater importance than the fostering of the interests of individual gildsmen.

The organisation of the craft gild was to some extent similar to that of the gild merchant. At the head of the craft gild was a number⁴ of wardens who were elected by the members or who were appointed by the mayor of the town. In large gilds a council existed which conducted the routine business of the society and made rules which were binding upon its members. A periodical assembly of members was held at which important matters were settled. There was naturally a good deal of variety in the details of gild organisation. In some cases wardens were

¹ The most important of the crafts were those concerned in the manufacture of clothing, such as the weavers, tailors, and cappers, and the leather-workers, such as the saddlers. Goldsmiths, silversmiths, armourers, and lorimers also were important. Artisans concerned in building, such as masons and carpenters, were less definitely organised, as by the nature of their crafts they moved from place to place.

² The rule that no man who was not of the gild should practise a craft was not intended to confer a monopoly on a limited number of men but to compel non-members to accept membership of the gild, and, with it, supervision of their activities.

³ Nevertheless, some important craft gilds received charters from the Crown, and so become free from municipal control.

⁴ Two, or four, or even more, according to the size of the gild.

chosen in the assembly; in others, in the council. In some guilds the council was subordinate in authority to the assembly, of which it was a mere committee; in other cases the council dominated the guild, and the assembly was less important.

The main function of the wardens was to supervise the production of goods by the members, with a view to maintaining proper standards of quality and workmanship. For this purpose they were entitled to visit the workshops and inspect the finished products and the goods in process of manufacture. Articles which were found to be defective, by reason either of unsound workmanship or of inferior materials, were confiscated. Fines were levied on offenders, and for serious and repeated offences delinquents were placed in the stocks or the pillory and might be expelled from the guild.

Regulations for the conduct of the craft were made by the guild and enforced by the wardens.¹ Many of these were technical in character and varied from craft to craft; some were of a general nature. Night-work was forbidden, as, in the absence of effective artificial lighting, it was unlikely to be satisfactory, and, in any case, it could not easily be supervised. Wages were regulated, and, to some extent, prices were fixed, although the supervision of prices was often undertaken by the guild merchant and the town authority. In those crafts which involved the buying and selling of articles of food the officers of the craft guild were as active as those of the guild merchant in suppressing forestalling, regrating, and engrossing.

Artisans in the Middle Ages fell into three clearly defined grades—masters, journeymen, and apprentices. The master-craftsman established a workshop in which he worked side by side with his subordinates. Journeymen were properly qualified workmen who were employed for wages, while apprentices were boys or young men who were engaged in learning the craft. The three grades did not indicate differences of social position; they represented different stages in a career. An entrant into the ranks of a craft was expected to undergo apprenticeship in order that he might become a properly skilled workman. Upon the satisfactory completion of his period of training he was entitled to enter upon full membership of the guild, and he might, if he chose, establish himself in business as a master-craftsman, employing journeymen and taking apprentices. It was usual, however, for the young

¹ The existence of detailed regulations and of meticulous supervision points to the fact that unscrupulous and inefficient craftsmen existed in appreciable numbers.

gildsman to pass a few years in employment as a journeyman,¹ probably with the master under whom he had been trained, in order to gain experience and practice in the exercise of his craft and to accumulate a little capital for use when he opened his own workshop.² The journeyman did not regard this stage in his career as final; he looked forward as a matter of course to the time when he would be in a position to set up as a master.³ For this reason the question of wages does not seem to have been prominent in the heyday of the gild system. Journeymen had little reason to take action to secure higher rates of wages which in a few years they, as masters, would be called upon to pay. It was usual for journeymen and apprentices alike to live in their master's house and to take their meals at his table, and they were subject to his control in matters of conduct as well as of the craft.

Apprenticeship is known to have existed as early as 1260, and it soon became the most vital feature of the gild system of industry. Though in the early days of the gilds men were admitted without apprenticeship if they could offer satisfactory evidence of their skill, it became in course of time the only normal means of entry into the craft.⁴ It was felt that the reputation of the gild for good workmanship could be maintained only if the training of new members was carried on under its supervision. Apprenticeship, however, was more than a system of vocational training; it aimed at moulding a youth into a good citizen and a good Christian as well as a good workman. The master was responsible for the moral and religious training of his apprentices⁵ as well as for their efficiency in the craft, and this accounts for the completeness of the control which he was entitled to exercise.

¹ In the fifteenth century and later it was common for a gild to require the apprentice who had completed his training to serve for a period as a journeyman before he could be recognised as a master-craftsman.

² The master-craftsman possessed little capital beyond his tools and the material upon which he worked. Frequently he worked to order, upon material supplied by the customer. He was known to his customers, and relied for the continuance of their patronage upon his personal reputation.

³ Before he could become a master-craftsman a journeyman might be required to satisfy the wardens of the gild of his competence by the production of a "masterpiece"; this practice was, however, by no means universal.

⁴ Nevertheless, cases of the admission to the gilds of skilled workmen who had not undergone apprenticeship are occasionally to be found throughout the period of the prevalence of the gild system.

⁵ A rubric in the Catechism in the Book of Common Prayer directs that "all Fathers, Mothers, Masters, and Dames, shall cause their Children, Servants, and Prentices, (which have not learned their Catechism,) to come to the Church at the time appointed, and . . ."

The length of the period of apprenticeship varied from craft to craft and from town to town, but in course of time the London guilds fixed upon seven years as the appropriate term, and their example was followed by the guilds of other towns; this was eventually regarded as the normal period, and it was enforced everywhere by the Elizabethan Statute of Artificers, 1563. As a rule, apprentices were enrolled upon the records of the town authorities; this practice afforded proof that the apprenticeship had actually taken place. Fees were demanded by the municipality for registering apprentices, and for this reason enrolment was sometimes evaded. Occasionally an apprentice was permitted to change his master; this might be necessitated by the death or prolonged illness of the master, or it might be sanctioned by the guild on account of the persistent refusal of the master to fulfil his part of the contract in the training of the apprentice.

In the early history of the crafts there is no suggestion that the number of apprentices ought to be limited. In a time when agriculture was still the primary industry of the country and craftsmanship was of minor importance it was difficult to secure recruits for the guilds. But towards the close of the Middle Ages industry tended to expand, and the crafts were faced with an increasing number of candidates for membership. Some restriction was felt to be necessary, and this was secured to some extent by the imposition of qualifications for apprenticeship. In some towns only the sons of guildsmen or of burgesses might be enrolled, and the practice of requiring payment of a premium grew up at this time. But the problem was more frequently attacked in another way. The number of apprentices who might be bound to one master was prescribed by guild regulation, and this was done in the interests of all the grades within the craft. It was to the interest of the apprentices themselves that their number should be restricted, since a master could give a more thorough training to one or two than to several; of the journeymen, who might find themselves without employment if apprentices were numerous, since a master might expect his apprentices, after the first year or so of their training, to do much of the work which would otherwise be entrusted to journeymen; and of the masters, since they would have to face the competition of a large number of their equals if too many entrants were trained.

Gild activity had its religious and philanthropic aspect. The members of a gild attended the same church and worshipped at the altar of the patron saint of the craft. Many guilds were in the

habit of producing mystery plays,¹ which were based on biblical stories, and it was usual for a gild to select as the subject of its play an incident which might in some way be regarded as connected with the craft. Thus, the story of the Ark might be portrayed by the Shipwrights, and that of the marriage-feast at Cana by the Vintners. Members who were sick or in distress received relief from their brethren of the gild, and it was a common practice for gildsmen to finish for any one of their number who fell ill any uncompleted work, in order that he might not lose his remuneration for what he had done. Provision was made for the widows and orphans of deceased members; boys might be put to school and afterwards apprenticed to the craft, and girls were provided with a dowry upon marriage or upon admission to a convent. Almshouses and schools were established by the wealthier gilds. The expense of relieving the poor, the aged, and the sick was met out of the gild funds; in some cases, a separate organisation within the gild, with funds of its own, was maintained for this purpose. It was not unusual for wealthy gildsmen, at death, to leave some part of their property to augment the charitable funds of the gild.

Gildsmen were expected to exhibit a spirit of brotherliness towards one another. They were not to take advantage of their brethren in any way. It would be opposed to the spirit of the fraternity to try to undercut the prices charged by others, or to secure an undue proportion of the available work, or to entice skilled workmen from their employment. Disputes between gildsmen were to be settled by the craft and were not to be taken to the courts of law—at least, not until the gild had failed to compose the quarrel, and then only with its permission.² The aim of the gild in such matters was not to act as a court of law but to bring about a settlement of the dispute by agreement. It was felt to be undesirable to make public the existence of friction among the brethren of the gild.

The spirit of brotherly love which gildsmen were expected to cultivate towards one another was not always in evidence in the

¹ There was nothing "mysterious" about a mystery play. It was a play produced by men who belonged to the same craft, or mystery. The word is derived from O.Fr. *mestier*, Lat. *ministerium*, service, office. (Cf. Mod. Fr. *métier*.)

Mystery plays were of use in portraying biblical incidents and spreading a knowledge of Scripture history among people who did not possess Bibles and who, for the most part, could not read.

² The Statute of 1504 (referred to elsewhere) relaxed this rule, but it does not seem to have been effective.

relations between different guilds. A common cause of friction was to be found in the line of demarcation between crafts. The occupations of tailors and drapers, of masons and tilers, of cobblers and cordwainers,¹ tended to overlap, and strife between the guilds resulted. The questions at issue were settled sometimes by the framing of a rigid line of delimitation between allied occupations, sometimes by permitting craftsmen to belong to both guilds. By the sixteenth century, however, there was a tendency in some towns to recognise that a man who was "free of one craft was to be free of all."

The relation of the craft guilds to the gild merchant has been the subject of much speculation and investigation. As has been stated already, it has been conjectured that the craft guilds originated in the antagonism of poor workmen to wealthy merchants. There is little evidence to support this view so far as English guilds are concerned.² But the craft guilds were subject to the town officials; they aimed at securing privileges, while the civic authorities were determined to maintain control. And, as the town government was in close touch with, if it was not indistinguishable from, the gild merchant, it must be admitted that friction sometimes existed between the two types of gild, even if it were in a veiled form. Another view of the question is that, since the craftsman sold the goods he made, he was merchant as well as artisan and necessarily belonged to both types of gild.³ A third view of the relationship between the two organisations is based on the fact that the merchant gild preceded the craft guilds; it flourished in the twelfth and thirteenth centuries and was less prominent in the fourteenth and fifteenth centuries, the period of the greatest prosperity of the craft guilds. The relationship might, from this point of view, be described as one of succession. As the number of craftsmen increased and new crafts appeared it was impossible for the gild merchant to maintain that full supervision which it had exercised in earlier times over the economic activities of the town, and it was natural for distinct guilds to be set up for each craft. It might almost be asserted that the merchant gild split into parts corresponding to the different crafts, the change being in accord with

¹ Cordwainers were shoemakers, workers in cordwain. Cordwain was Cordovan leather. The word is from O.Fr. *cordouan*, Sp. *cordobán*. A cobbler was a mender of shoes.

² The existence of some early guilds of foreign craftsmen who had settled in England was resented by the merchant guilds. Some of these associations had secured charters from the Crown, to which they paid separate ferms, and they were independent of the authority of the gild merchant. Racial prejudice, also, helped to account for the antagonism which existed.

³ Attention is drawn to this aspect of the question by Gross and by Palgrave.

the growing complexity of economic organisation. The records of some towns, notably those of Ipswich and of Kendal, afford evidence in support of this view. The merchant gild thus gradually decayed through the absorption of its powers by the craft gilds; in a few cases it survived as a religious fraternity. The views set forth above do not exclude one another; there is some degree of truth in each. In this, as in many other questions of medieval economic history, it must not be expected that one sweeping generalisation will meet every case.

While the gild system flourished there was little conflict between masters and journeymen. To make use of modern terminology by describing these classes as employers and employees would be to suggest an opposition of interests which, in fact, did not exist. They were merely at different stages of their careers, and so long as every journeyman expected in due course to become a master-craftsman there was no essential antagonism between them. But in course of time this state of affairs was changed. With the expansion of trade and industry capital became of greater importance, and some of the wealthier gildsmen ceased to be craftsmen and became employers of craftsmen. Many of the journeymen found that their chance of becoming independent masters was diminishing and that they were likely to remain wage-earners throughout their lives. As soon as this was realised by an appreciable proportion of the journeymen a conflict of interests was felt to exist, and they contended that they suffered from the oppression of their masters in many ways. Questions of wages and hours of labour were raised, and journeymen complained alike of the restrictions imposed by masters in the indentures of apprentices, by which the youth when qualified was not to establish himself in competition with his master, and of the disproportionate increase in the number of apprentices accepted by some masters, so that the craft was overstaffed and qualified men could not obtain employment. The journeymen resented, too, their inferior status in the gild, in which all important posts were monopolised by masters. The masters, for their part, complained that their journeymen were idle, dissolute, and drunken, and that they were frequently absent from their work.

In many towns the journeymen established separate organisations, known as journeyman gilds, or yeoman gilds, in order to safeguard their separate interests. These societies were never very successful. From the first they had to face the veiled or open hostility of the craft gilds, and those which managed to survive and to win a grudging recognition had to accept a position of

subordination to the main gild, with no control over the industry and with little influence upon the lot of the journeymen. It is not difficult to detect the reasons for the failure of these primitive attempts at labour organisation. The craft gild was powerful and wealthy, while the journeyman gild was inferior in both numbers and resources. This handicap might have been overcome in time: the fundamental weakness of the journeyman gild lay in another direction. It consisted in the main of inferior men. If it be admitted that the organisation owed its existence to the dissatisfaction of journeymen with their condition and prospects it must be remembered that this did not apply to all wage-workers. It was certain that some journeymen would become masters; these would be, on the whole, the abler and more industrious men, who would have little sympathy with a movement promoted by their inferiors. The aloofness of the best men, who were more intent upon rising out of their condition than upon improving it, was fatal to the prospects of the movement.

Strife between masters and journeymen was only one of the symptoms of the change which was coming over the gild system towards the close of the Middle Ages. As the gilds advanced in wealth, and as the medieval tendency to co-operation receded before the growth of the modern competitive spirit, the gilds became narrow and exclusive, caring little for the reputation of the craft for fair dealing with the public and intent only upon self-interest. The gild monopoly was rigidly maintained, and restrictions were imposed upon new entrants. Heavy entrance fees were charged, except to the sons of gildsmen, and in some cases journeymen were debarred from becoming masters. Within the gild a "livery" might be adopted, which could be worn only by the wealthier and more important of the members; hence the distinction between those who were "of the livery" and those who were not. These liverymen sometimes arrogated to themselves the monopoly of the sale to the public of gild products, so that other members who were nominally master-craftsmen were compelled to sell to them and, in effect, to become wage-workers for them. Further distinctions developed, and in some cases an inner "Court of Assistants," chosen exclusively from the liverymen, became the ruling clique of the fraternity.

With the establishment of strong Tudor rule the gilds entered upon the period of their decline. Their narrowness and selfishness of outlook tended to hinder industrial development in the towns in which they exercised authority. New towns, which were free from gild restrictions, came into existence, and industry

prospered in them. Some craftsmen left the old towns and settled outside the walls and in neighbouring villages, a course which was possible now that peace prevailed throughout the land and baronial power was broken. Gild authority was, as a rule, limited to the area within the walls, and craftsmen who settled outside were free from control. This was by no means entirely to the good. Such men were often less skilled than the gildsmen, apprenticeship was not insisted upon among them, and the standard of workmanship declined. But the day was past when the local control of industry, as carried on by the gilds, was sufficient. During the Tudor period industrial regulation passed into the hands of the State and was organised on a national basis.¹

In the middle of the sixteenth century the gilds suffered severely at the hands of the Duke of Somerset, Protector for Edward VI. Under the pretext that their religious observances were tinged with superstition, a great part of their property was taken from them. Only that part of their wealth which was devoted to purposes of religion was subject to confiscation, but it was not easy to distinguish between what was applied to purposes connected with religion and what was not, and it is probable that the commissioners who carried out the instructions of the Crown did not err on the side of leniency. The gilds survived the blow, but their importance henceforth was small.²

The London Companies³ were sufficiently powerful to secure more reasonable treatment than was accorded to the provincial gilds; they paid a lump sum to the Crown and were permitted to continue in the enjoyment of the bulk of their property. They remain to this day of importance in the City of London, but few of them now have any connection with trade. They are enormously wealthy; they maintain schools and engage in various forms of philanthropic activity, and their public functions are distinguished by great magnificence.

¹ As early as 1437 an Act of Parliament required gilds to submit their ordinances to Justices of the Peace. It is probable that it was intended to apply especially to those gilds which claimed exemption from municipal control on the ground that they held charters from the Crown. With the growth of Yorkist influence it does not seem to have been enforced. In 1504 an Act was passed by which new gild ordinances were not to be valid until they had received the sanction of Justices of assize.

² Such privileges as they retained were formally abolished in 1835.

³ From the fourteenth and fifteenth centuries many of the craft gilds were styled "Companies," or "Livery Companies," and this designation became usual in later times.

An attempt was made in the nineteenth century¹ to trace some degree of historical continuity between the trade unions of a later date and the craft guilds. The attempt failed, for the sufficient reason that no such continuity existed. Nevertheless, it may be of interest to observe some points of comparison and contrast between these two types of industrial organisation; though the one did not originate out of the other, they have more in common than is sometimes supposed. A superficial comparison will show that the gild operated in a small area while the trade union is nationwide; that the gild included all, whether masters or workmen, who were connected with the craft, while the trade union includes only employees; that the gild was based on the identity of interests of employer and employee, while the trade union assumes antagonism of interests; that the gild, unlike the trade union, was concerned, among other things, with religious and philanthropic objects; and that the gild aimed at maintaining the reputation of the craft while the trade union is concerned only with furthering the interests of its members. But the difference of area is no more than the natural result of the change from local to national economy, and it is by no means safe to assume that trade unions invariably function on a basis of antagonism to employers. Industrial strife occurs at times, and is brought to the notice of the public in the press, but the everyday work which is carried on in the offices of a large trade union is not concerned with the fostering of strikes; numerous matters are dealt with, usually in entire amity with employers and their organisations. The members of a trade union, moreover, often realise that more is to be gained by co-operation with than by antagonism towards employers, and that both classes stand to gain by the prosperity of an industry and to lose by its depression. The insistence by the guilds upon limitation of the number of apprentices in the craft, and the policy of trade unions in attempting to restrict the number of entrants to the trade, are alike efforts to adjust the supply to the demand for labour in the industry. The philanthropic work of the guilds had its counterpart in the "friendly" benefits which were offered by many trade unions to their members before the establishment of schemes of National Insurance. And it would be no more correct to regard a trade union as indifferent to the reputation of its "craft" than to fail to observe an element of selfishness in the guilds, in their later history, at least. A large union, such as the National Union of Railwaymen, would keenly resent any aspersion upon

¹ In Brentano's *History and Development of Guilds*. Also in Howell's *Conflict of Capital and Labour*, and *Trade Unionism, New and Old*.

the efficiency and reliability of railway workers, whose reputation stands, deservedly, very high. Such organisations as the British Medical Association and the National Union of Teachers, which are in essence trade unions of doctors and teachers, do not exist merely to safeguard the material interests of their members; in their respective spheres of health and education they are zealous to promote the public welfare. There has been in the past a tendency to idealise medieval industrial organisation; it is well to recognise that some of its better features are reproduced in the industrial organisation of to-day.

CHAPTER IV

THE BREAK-UP OF THE MANORIAL SYSTEM

THE manorial system, the most vital characteristic of which was the cultivation of the lord's demesne by bondsmen, lasted for some centuries. This long period did not pass without change; modifications in manorial custom and practice occurred, though so slowly that they were barely noticeable. Towards the close of the Middle Ages changes of a more definite character took place, changes which struck at the roots of the system. The connection of the serfs with the land of their lords was weakened and, ultimately, broken, the open-field system of cultivation (which did not finally disappear till the beginning of the nineteenth century) began to give way to enclosures, and the force of custom, which had been very great in the economic life of the manor, was impaired. The break-up of the medieval manorial system may be ascribed to movements which developed in the fourteenth and fifteenth centuries. These movements were three in number.

The first was the substitution of money payments for labour services, a process known as commutation.¹ It occasionally occurred in the twelfth century, and it became rather more common in the thirteenth century, though it was still the exception rather than the rule by the time of the Black Death in the middle of the fourteenth century. Commutation was obviously impossible in a primitive community cut off from the rest of the world (such as the "ideal" manor would have been if it had existed anywhere), because of the absence of a supply of money. The men of a manor would become familiar with the use of money as a means of exchange only by attendance at the markets and fairs in neighbouring towns, where they would go only if they had surplus produce for sale. Commutation occurred earliest, therefore, among the more prosperous villeins in manors which were not too far from towns, while in more isolated manors it did not appear at all until later.

Commutation occurred as the result of agreement between lord and serf, though occasional instances have been found of its being forced by lords on unwilling villeins. When the initial prejudice

¹ The fines levied in the manorial court for non-attendance at work would form the basis on which the terms of commutation might be settled.

against change, which was to be expected in any community where the bonds of custom were strong, had been overcome to the extent of giving consideration to the proposal, it would be evident that it would present advantages to both parties. The lord would pay wage-labourers with the money he received from his serfs; it was to be expected that hired labour would be more efficient than that of serfs. The wage-labourer, however lazy he might be, would do a certain amount of work through fear of losing his employment; the serf had always to be goaded to work. Commutation, therefore, was followed by a reduction in the expenses of estate management and labour supervision. Moreover, less hired labour would be needed, since at certain times of the year there was little to be done on the land; the lord would profit by being able to save some part of the money paid for commutation. The villein, for his part, would be glad to be rid of forced labour, which was not only onerous but humiliating. Commutation marked a stage in the improvement of his status; it was a big step towards complete freedom. He gained, too, by the character of the payments;¹ these were fixed, and soon received the sanction of custom, so that as, in the course of time, the value of money changed, they were unaffected. Over long periods of time the value of money fell, or, what amounts to the same thing, the general level of prices rose. As the commutation payments were unchangeable the villein profited.

But, although both lord and villein had some motive for agreeing to commutation, their interests were not identical. Commutation was rarely agreed to in regard to the whole of the obligations of a serf at one time. The villein would wish to commute those services, such as boon-work and cartage, which were most burdensome to him; the lord would be ready to bargain concerning those which were of least value to him. Probably the miscellaneous payments in kind were the first to be transformed into monetary obligations. Week-work would be commuted next;² then, perhaps, cartage; and, last of all, boon-work. The lord's reluctance to release his serfs from labour in the harvest fields was due, of course, to the greater difficulty of securing wage-labourers at this specially busy time. It should be remembered, however, that the lord was by custom obliged to provide boon-workers with

¹ The mere substitution of a certain for an uncertain obligation tended to improve the villein's status.

² The practice of performing week-work by substitute facilitated the change. Instead of the wage-labourer being hired by the villein and sent to do the villein's task he was engaged directly by the lord.

food and drink; with the advance in prices towards the close of the Middle Ages the value of the victuals approximated to or even exceeded the value of the work. When this was the case the lord had no further reason for refusing to agree to commutation. On some manors commutation was at first temporary, being settled year by year at the lord's pleasure. But such an arrangement, carried on for a few years, readily acquired the character of custom, and it was difficult to revert to older practices.

Commutation could not have prevailed generally had there not been a body of wage-labourers in the manor. The nucleus of this class already existed in the borders; it was reinforced by the younger sons of villeins and by new-comers from other manors. In earlier times migration was almost unknown; with the changing circumstances of the close of the Middle Ages it became less infrequent.

This release from serfdom proceeded steadily until it was temporarily checked by the Black Death of 1348-9. England was often visited by the plague in the Middle Ages. Plague, in fact, was rarely quite absent, and it is possible to view the great outbreaks which occurred now and then as merely the more violent manifestations of an evil which was always present in greater or less degree. Several serious visitations of the plague occurred in the fourteenth century, notably in 1348-9, in 1361-2, and in 1368-9, and other pestilences occurred in 1370, 1381-2, and 1396. The plague of 1348-9 was known as the Black Death. It is said to have originated in China about the year 1333. Appearing in Asia Minor about 1345, it spread to Italy in 1347, to France in 1348, and to England in the autumn of 1348. The mortality from it was extraordinarily high. After making full allowance for the exaggerations of medieval chroniclers, and relying only on definite historical evidence, it may be asserted with confidence that about one-third of the people of this country died of the plague. This may be an understatement; it is possible that the proportion was higher. Many investigators, including Seebohm, are of opinion that the mortality involved as many as one-half of the people, and it is, perhaps, a reasonable estimate of the effect of the plague to suggest that the population decreased from over four millions to about two and a half millions. It is not likely that the plague was less virulent on the Continent, and one may feel some surprise that Europe, including England, was not entirely depopulated.

The immediate result of the mortality consequent upon the Black Death was a great scarcity of labour; harvests rotted in the fields, and land remained untilled. Manorial lords were at their

wits' end to secure workers.¹ The few remaining free labourers demanded wages hitherto unheard of, while at the same time the serfs who had not yet commuted their services pressed for freedom vigorously. They were more conscious of the value of their work. They were aware, too, of a change in their social status as compared with that of the labourers. Formerly, the villein had been a much more prosperous and substantial man than the labourer; after the plague the latter, with his increased wages, was better off than the serf. The lords attempted to deal with the situation by, on the one hand, passing legislation to keep the wages of labourers at their former level, and, on the other hand, refusing whenever possible to grant commutation to their serfs. In spite, however, of the Ordinance of Labourers, 1349, and the Statute of Labourers, 1351,² wages continued to rise, thereby increasing the reluctance

¹ It was at one time believed that by the middle of the fourteenth century commutation had become widespread, and even general, and that under the changed circumstances caused by the plague the lords compelled those serfs who had commuted their obligations to resume the burden of personal service. This view was popularised by Professor Thorold Rogers, a man of great learning and industry, but it has been found to be untenable. It is now agreed that the extent of commutation before the Black Death was not so great as was formerly supposed. There is ground for believing that money was not available in sufficient quantities to bring about general commutation. But, apart from this, evidence exists that in more than half the manors of the country no commutation existed, while in many others it was only partial. In only a small proportion was it complete. It is now known that in many manorial rolls the monetary value of servile obligations was recorded; this practice was doubtless useful in the assessment of fines for their non-performance and was certainly of great value when commutation was agreed upon, but it was usual long before this fundamental change took place. This perhaps explains why the former misconception arose. The record of the value of compulsory services was treated as evidence of commutation having been established, which was not the case.

² In 1349, while the plague was still raging, Edward III issued an Ordinance of Labourers prohibiting the payment or receipt of wages higher than those which were prevalent before the Black Death and ordering labourers to accept work if it was offered at the old rates of wages. In 1351 the first Statute of Labourers was enacted, giving statutory sanction to the requirements of the Ordinance and providing, also, that prices as well as wages should revert to the old level. During the thirty years which elapsed before the Peasant Revolt the Statute was re-enacted five times, the changes in the successive re-enactments taking the form of increases in the penalties.

Members of Parliament were landowners, and Parliament represented the landed interest, which, at the time, was the only important interest in the nation, while the lower classes were without political rights. It is natural, therefore, to condemn the Statutes of Labourers as examples of class legislation. But the transference of the economic ideas of the present day to the fourteenth century leads to a misunderstanding of the real motives which prompted the passing of this industrial code. For men to demand higher wages when labour was scarce was to take advantage of the necessities of

of the lords to relinquish any of their rights over such servile labour as they could still command. As a result of this check in the progress of commutation the villeins became increasingly discontented, and this discontent found expression in the Peasant Revolt.

Many causes contributed to bring about the great revolt of the peasants in 1381,¹ and several classes of people other than villeins were involved in it. Other grievances, in addition to the refusal of commutation, were brought to light, but it is nevertheless certain that the movement was to a large extent a rising of the serfs and that their great demand was for freedom. It is recorded of the Essex men, when they reached Mile End, that they asked for freedom, for the fixing of the rent of land at fourpence per acre, and for pardon. These demands can be interpreted only as freedom from compulsory work for their lords, with commutation payment based on the number of acres held by them. Under

others, and this was held to be improper and unchristian. As pointed out elsewhere in this book, it was thought that for everything there was a just price, which ought to be adhered to. Wages were the price of labour, and they ought not to vary with fluctuations in demand. And, although the application of this doctrine appeared to be in the interests of the wealthy and against those of the poor, it should be noticed that the Statute made an attempt to protect the labourers by the limitation of the prices of commodities. The labourer who paid and was paid at the same rates as before the Black Death was neither better nor worse off than he had been before the plague.

The Statute, was, in fact, an attempt to maintain the stability which was regarded as desirable in the Middle Ages. It is probable that its passing would have been attended with less discontent if it had been possible to keep commodity prices at the old level. But prices rose, and men were unable to live on the wages which formerly sufficed for their maintenance. The rise in wages, which occurred despite the law, was the corollary of the rise in prices which was going on.

¹ The chief causes of the Peasant Revolt may be summarised as follows:

(1) The resentment of the villeins on account of the reluctance of lords to grant commutation. The villeins were becoming increasingly conscious of the value of their services and increasingly impatient of their burdens.

(2) The discontent of the wage-labourers at the attempts to restrict the expansion of wages, by the Statutes of Labourers.

(3) The discontent of the journeymen in towns at the policy of the guilds. (It is clear, from Froissart's account of the revolt, that the common folk of the City of London were in sympathy with the Kentish rebels and that they restrained attempts which were made to prevent the insurgents from crossing London Bridge and entering the City.)

(4) The imposition of a poll-tax, which was extremely unpopular.

(5) Political discontent, arising from lack of success in war and from the unpopularity of John of Gaunt.

(6) Socialistic (or communistic) teaching of the "poor priests," who may have been followers of Wycliffe.

the scale then proposed the normal virgater would be released from his obligations to his lord on payment of ten shillings a year.

The rebel serfs were induced to return home by promises which were not fulfilled. In the following year many were put to death or punished in other ways, and the movement appeared to have failed. But the process of commutation continued, and year by year more serfs secured their freedom. To some extent this might have been due to the fear of another rising; it would not be easy to beguile the serfs with promises a second time. But there was another reason for the continuance of the movement towards commutation. Many villeins to whom it had been refused abandoned their holdings and fled from the manor. In view of the general scarcity of labour they were readily received elsewhere as free wage-labourers. Within a year and a day of their flight they might be pursued and brought back—if they could be traced, which, under medieval conditions, was no easy matter. The lord who refused his consent to commutation found it impossible to retain his serfs, so that his manor was in danger of reverting to wilderness.

The lords had to make the best of the position and come to terms with their serfs. The process of commutation was still slow, but by the middle of the fifteenth century it had become usual, and by the beginning of the Tudor period personal services were almost a thing of the past.¹

Villein status did not disappear immediately upon the grant of commutation, but within a generation or two of the cessation of compulsory work the villeins were naturally looked upon as free men who paid a rent for their holdings. In the Tudor period the chief importance of villein status lay in the opportunities of financial extortion which it offered to manorial lords; excessive reliefs, heriots, and merchets were occasionally demanded. In cases involving villein status which came before the courts the judges were inclined to presume freedom. Elizabeth abolished villeinage on the Crown lands. Finally, in 1617, in the case of *Pigg v. Caley*, in which the defendant Caley entered the ancient plea that the complainant was his villein, it was held that villeinage was extinct.²

¹ Occasional instances of the survival of personal services can be traced as late as the reign of Elizabeth.

² Personal freedom was thus gained by most of the English peasantry before 1500, and bondage became legally extinct in 1617. Serfdom did not disappear in France until the eighteenth century, and it was not legally extinguished until 1789. In Prussia it was abolished in 1807, and in Austria and Hungary in 1848, while it lingered in Russia till 1861 and in Poland till 1864.

When commutation was agreed upon between lord and serf the money payment which the latter was required to make was based on the value to the lord of the services which the serf ceased to render; it was a "quittance" for these services. In course of time the origin of this payment was forgotten, or, at least, obscured, and it came to be regarded as a rent for the land which the tenant still held. But it was not a competitive rent, or rack-rent, based on the value of the land or upon the eagerness of others to secure it. It was a quit-rent; it could not be varied in amount, and while it was paid the tenant could not be evicted from his holding. He was known as a customary tenant, or, more commonly, as a copyholder.¹ In later times a copyholder could be distinguished from a freeholder only by the fact that the latter had no quit-rent to pay and possessed title-deeds to his land, while the former paid a quit-rent and held only a copy of the entry in the manorial roll to prove his right to his land.

The second movement to which reference has been made above as tending to destroy the medieval manorial system was the alienation of the lord's demesne. The demesne had been cultivated by the serfs; after the Black Death it became very difficult to secure sufficient labour, either servile or free, for this purpose. Some lords resolved their difficulties by leasing the demesne² as a whole to any one who would care to take it and so assume responsibility for finding the necessary labour. Not infrequently the bailiff or the reeve or one of the wealthier villeins might be willing to take the demesne off the lord's hands and see if he could make it pay. Being on the spot he would know the condition of the land, he might be in touch with labourers, he might employ members of his own family. But the prospective tenant rarely possessed farming capital—of sufficient amount, at any rate—and in the earlier leases it was usual for the land to be let fully stocked with oxen and horses, ploughs and other implements, and seed-corn. It was let, in fact, as a going concern. Such leases were known as stock-and-land leases; they were for a few years at a time and were generally renewed. In any single case this characteristic continued for about fifty years, but after this time had elapsed the tenant was able to take the land on lease without stock.

¹ The term "copyholder" was at first applied to all customary tenants, including tenants for life only, but in course of time it was restricted to those whose lands passed to their descendants by inheritance. Only such were protected by the courts.

² Although, in earlier times, the arable demesne had consisted of scattered strips in the open fields, it had in most cases become consolidated by the fifteenth century. This must have been brought about by exchange of strips.

It is evident that the venture had been a success. The tenant had not only made a living but had saved something year by year, and, after half a century or so, had accumulated sufficient capital to enable him to take an ordinary lease.

The rent which was paid to the lord of the manor¹ for the demesne might be in either money or kind. It is to be distinguished from the quit-rent paid by the customary tenants; it was a competitive rent, and it might be varied whenever the lease came up for renewal. In the Middle Ages a fixed payment was known as a "ferm"; hence, the tenant of the demesne was a "fermor" or "farmer."² His holding consisted of the whole demesne and was thus much larger than that of any of the customary tenants, though in course of time the demesne was split up among a number of farmers. The holdings thus created, while still substantially larger than those of the copyholders, did not require so much capital as was needed to work the demesne as a whole, and it was easier for men of moderate means to take them on ordinary lease. The class of tenant farmers thus made its appearance in English rural society. The whole period during which the stock-and-land lease system was prevalent extended over about a century and a half, from the middle of the fourteenth century to the end of the fifteenth century.³ The system of leasing the demesne became general, and by the sixteenth century it was uncommon to find it still under the direct control of the lord, except on monastic manors, on some of which bailiff-farming continued until the dissolution of the monasteries.

By the sixteenth century the three types of land tenure which were common in Victorian England had made their appearance. Freeholders held their land direct from the Crown, and enjoyed, substantially, absolute possession, in which they were protected by law. Their holdings might be large or small, consolidated or in the open fields. Copyholders held their land subject to the payment of quit-rent, and by the sixteenth century the courts were prepared to recognise their rights. Copyhold land was usually in open fields. Leaseholders held for a term of years from a freeholder, and they paid a competitive rent. Their farms were, as a rule, consolidated.

¹ The lord, who ceased to reside on the manor, became a rent-receiver instead of a cultivator.

² At the present day a farmer is a cultivator, but originally the term was applicable to any one who was liable to make a payment fixed and regular in amount.

³ Stock-and-land leases were not unknown before the Black Death; on the other hand, some examples of them are to be found in the sixteenth century.

The third factor which contributed to the break-up of the medieval manorial system was the development of enclosure for sheep-farming. The manufacture of woollen cloth was carried on in both England and the Netherlands. Both at home and abroad there was a brisk demand for English wool; ¹ a fair price and a steady market for this commodity were assured. The price of corn was less stable; export was restricted, and in years of abundant harvest the price was low. The tendency of wages to rise, which had begun after the Black Death, continued during the fifteenth century, and pasture-farming called for less labour than tillage. For these reasons manorial lords who were harassed by the demands of their remaining serfs for commutation were tempted to abandon tillage altogether and to put their manors under grass. If the demesne still consisted of intermingled strips they would be useless for pasturage, but if, as was commonly the case towards the close of the Middle Ages, it was consolidated and enclosed, the change would be an easy matter and could be made at the lord's pleasure. Any remaining serfs could be granted commutation, and the only persons who would be prejudicially affected would be the wage-labourers who lost employment.

The demesne, however, would not be large enough for sheep-farming on any considerable scale, and some lords enclosed and added to it a part, and even the whole, of the common pasture and the waste and woodland. This was a serious infringement of the rights of the villagers. They were deprived of the only means of keeping the oxen upon which their agricultural work depended. They had no redress; their rights of pasture were customary only, not legal. The King's courts could grant them no remedy.² Before long the lord was prepared to complete his work and seize the open arable fields and the meadows in order to add them to his sheep-run. The villeins were turned adrift. Custom had protected them for centuries, so long as it was to the lord's interest to conform to it; when, in changed circumstances, his interest lay in another direction, they were to discover how inadequate a protection it was.

The freemen who held land in the manor could not be thus

¹ As is pointed out in another chapter, the export of wool was declining in the fifteenth century on account of the growth of the woollen cloth industry in England.

² The customary tenants were not protected by the Statute of Merton. By this law, passed in 1235, the lord of the manor was permitted to enclose waste, provided that he left enough for the use of knights and freeholders. In any case, as the lord himself was the judge of what was enough, the Statute was a dead letter.

arbitrarily dispossessed. But, though their title to arable, and perhaps meadow, was clear and could be defended in the courts, the disappearance of pasture and woodland rights made it difficult for them to carry on, and they were glad to make terms with the lord of the manor. He would buy them out, and the manor would become a single sheep-run, held by the lord alone and tended by a few shepherds.

It is easy to exaggerate the extent of these changes. The conversion of whole manors from arable to pasture was confined to certain counties in the East and East Midlands and, probably, to a minority of manors within these counties. The enclosure movement as a whole, with its social and economic effects, will be dealt with more fully in a subsequent chapter; it is referred to here as a factor in the break-up of the manorial system.

A further factor, not in essence economic, may be noticed as contributing to the decline of the manorial system. During the prevalence of the system the lord of the manor possessed jurisdiction over the inhabitants of his estate, and manorial courts were held periodically by him or by his steward. The extent of seigniorial jurisdiction varied; serfs were certainly subject to it, as were, in most cases, socmen also. There is less certainty that *liberi homines* were compelled to attend the courts of the lord of the manor. The advantage to a lord of the right to hold a court lay in the profits of jurisdiction. With the advance of the serfs towards freedom these profits declined; there were fewer offences against manorial custom for which fines could be exacted, and the right to hold the court became less important. Moreover, the policy of the Angevin kings was to assert and extend the royal jurisdiction in every part of the country. It became recognised as the undoubted right of all free men to bring their causes to the King's courts for settlement. The practice of sending judges throughout the country tended to diminish the importance of the manorial courts in dealing with criminal cases. The manorial courts thus declined; with the diminution of their profits they were hardly worth holding, much of their jurisdiction was absorbed by the royal courts, and they ceased to be a factor in maintaining the homogeneity of the manor.

By the end of the fifteenth century, therefore, the medieval manorial system had ceased to exist. Open-field cultivation was still carried on, but villeinage was extinct or nearly so, and wage-labour had replaced that of the bondmen. Large enclosed farms held on lease existed in place of the lord's demesne, and in some places pasture had replaced tillage altogether. A state of natural

economy, in which goods and services were exchanged in kind, had given place to a condition of money economy, in which the use of currency facilitated all economic transactions. The force of custom was lessening, and was giving way before the claims of self-interest. The commercial, competitive spirit was rising. Men were entering into modern times.

CHAPTER V

THE GROWTH OF THE MANUFACTURE OF WOOLLEN CLOTH

FROM very early times, in the cottages of rural England, wool was spun into yarn and woollen yarn was woven into cloth. The product of this home industry was, no doubt, rough and unattractive, but it was not intended for sale; it was manufactured by the family for its own use.¹

The abundance of wool throughout the country encouraged the development of cloth-making for commercial purposes,² and there is distinct evidence of the existence of this industry within a century of the Norman Conquest. Gilds of weavers are known to have existed as early as the reign of Henry I, and in course of time the craft of weaving was to be found in nearly every part of the country. In some towns the weavers came into conflict with the gild merchant, which wished to monopolise the trade in cloth. Ultimately the weavers succeeded in maintaining their position.

In course of time a certain amount of control over the industry, additional to that exercised by the gilds of weavers, was established, or, at least, attempted. By the Assize of Cloth, 1197, it was ordered that all cloth offered for sale should be of uniform width, but the rule was not found easy to enforce, and in many cases towns secured exemption for their products. During the thirteenth century the supervision and regulation of the sale of cloth was entrusted to an official known as the aulnager, whose duty was to satisfy himself as to the length and quality of the cloth offered for sale.

The progress of the industry was such that during the thirteenth century a certain amount of English cloth was available for export. The quality of the English product, however, was inferior to that of the finer Flemish cloths, which were imported into England for use by the upper classes, and the English industry was not yet strong and skilful enough to stand against foreign competition. At different times in the second half of the thirteenth century efforts were made to protect the English weaving industry by

¹ The industry was in a stage similar to that which existed in agriculture in the same period—production for subsistence rather than for marketing.

² The manufacture of cloth involved a number of distinct processes, which included carding or combing, spinning, weaving, dyeing, and finishing, and it is evident that the principle of division of labour was well established in the industry.

prohibiting the export of wool and the import of cloth. Such regulations were only partially successful, and were, perhaps, inspired by political as well as economic motives. The three Edwards were alive to the possibility of exerting pressure upon foreign governments by interfering with the course of trade, and restrictions and prohibitions were usually revoked when the immediate purpose for which they had been imposed was achieved.

Before the close of the thirteenth century the cloth manufacture entered upon a period of decline, which continued until the reign of Edward III. This king determined to arrest the decay of the industry and to re-establish it as the foremost English craft by attempting an infusion of foreign skill. The disturbed condition of the Netherlands at this time favoured his policy. The great towns were in conflict with the Count of Flanders, and it is probable that differences existed among the craftsmen themselves. Edward III invited Flemish weavers to settle in England and promised them the royal protection. Within a few years hundreds of them had taken advantage of the opportunity and were established in England.

As was to be expected, the presence of these alien weavers was resented by the native craftsmen. The Flemings settled in various towns and, probably on account of their skill, secured a large share of the available business.¹ The townsmen sought to exercise control over them, and conflict was often restrained only by the interposition of the King. In London the alien weavers formed a separate gild, which obtained recognition in 1352. The London gild of native weavers resented the existence of this rival organisation, and tried to bring it into subjection on the ground that the alien weavers made no contribution to the ferm which the craft as a whole had to pay to the Crown. In the end the Flemings were required to pay their share of the ferm.

As is stated elsewhere, capital played only a small part in the organisation of medieval industry, as a rule. The master-craftsman required little capital beyond his tools, and he relied for the maintenance of his business upon his skill and his connection with a limited clientèle. But some of the Flemish immigrants were substantial men who were able to employ a number of workmen, and in course of time there was an increasing tendency for the industry to pass into the hands of capitalist clothiers. By

¹ They assisted materially in the development of the worsted industry in Norwich and elsewhere in the county of Norfolk. Worsted was woven from long-staple wool. It was lighter and cheaper than woollens, to which it was preferable in some other ways also.

the fifteenth century a class of clothiers, who purchased wool and employed workers to make it into cloth, was in existence. Some of these men were also graziers who reared their own sheep and so ensured for themselves a supply of wool.

By the sixteenth century the control of the industry by capitalist manufacturers was almost complete.¹ In the main the actual work was still carried on under the domestic system by workers who laboured in their own homes and used their own implements, and who sometimes employed journeymen, but workshops in which large numbers of men were employed are known to have existed, and the principle of division of labour was applied to them. John Winchcombe, better known as Jack of Newbury, gave employment to many men, while William Stumpe, who purchased Malmesbury Abbey from the Crown after the dissolution of the monasteries, kept many men at work there and at Osney Abbey. Such instances, however, were exceptional, and, in the main, the system of domestic work under the control of capitalist clothiers continued until the eve of the Industrial Revolution.

A good deal of friction developed from time to time between the capitalist clothiers and other classes. Apart from the rivalry which existed among the clothiers themselves, the employers had trouble with their workpeople on the subject of wages. Independent weavers, too, resented the existence of their formidable competitors, whom they charged with engrossing (cornering) raw material.² Criticism was levelled against the quality of the cloth marketed by the clothiers. The most serious conflict, however, in which these manufacturers were engaged was with the Merchant Adventurers. The clothiers were not content to produce unfinished cloth. They wished to dye it, but the Adventurers preferred to export it undyed. The development of this process in England would injure the dyeing industry which existed at certain places on the Continent, and the Adventurers seem to have feared that retaliatory measures would be taken against them.³

¹ This tendency towards capitalist control was making itself felt in other industries towards the close of the Middle Ages. This has already been noticed in the chapter on Craft Gilds. See p. 35.

² The apathy with which complaints of this offence against commercial morality as understood in the Middle Ages were received is a clear indication of the change which was coming over the spirit of the times.

³ The Adventurers had received permission to establish depots on the Continent from rulers who saw that the presence of the English merchants would lead to the foundation of dyeing and finishing industries in their domains. If, however, the Adventurers brought dyed cloth from England these industries would collapse, and it was to be feared that the Adventurers would lose their privileges.

The manufacture of woollen cloth in England after 1350 tended to absorb a considerable part of the English product of wool. Before the middle of the fourteenth century wool had been the principal export of the country. After this time the export of wool began to decline on account of the increasing demand of the home industry and in spite of the extension of the area under pasture in the fifteenth and sixteenth centuries. The decline in the export of wool was, however, more than compensated for by the increase in that of woollen cloth.

CHAPTER VI

THE GROWTH OF ENGLISH OVERSEAS TRADE

TRADE was carried on, though to no great extent, between England and neighbouring continental countries before the Norman Conquest. As far back as the eighth century a letter from the first Holy Roman Emperor, Charles the Great, to Offa, King of the Mercians, testified to the existence of commercial intercourse between England and the Continent; and Alfred, a century later, endeavoured to encourage trade by declaring any merchant who ventured thrice overseas in his own ship to be "thegnworthy." The connection of the Danes with England stimulated trade with Scandinavian countries, and the Norman Conquest was followed by an extension of English trade with France and the Netherlands.

Throughout the Middle Ages English trade was mainly in the hands of alien merchants, who visited this country in order to sell their goods and to buy English products. If England was not to be cut off entirely from the rest of the world the visits of these merchants were essential, since English merchants were rarely prepared to venture overseas; nevertheless, aliens were not welcomed, and they were subject to various regulations and restrictions. They were regarded with suspicion by the people of the towns which they visited. They had to pay heavy tolls, their stay was, as a rule, limited to forty days, and they were permitted to engage only in wholesale trade (retail trading being monopolised by the local gild merchant). They were compelled to lodge under the supervision of an English merchant who would witness their transactions and be responsible for the enforcement of the regulations to which they were subject, and when they sold their wares in England they were expected to buy English goods of at least equal value, in order that money might not be taken out of the country.¹

Alien merchants enjoyed the protection of the Crown, to some extent, at least. The interests of the Crown and of the towns were not identical in this matter. The King benefited by the customs

¹ The extent to which these restrictions were effective varied a good deal from time to time. Edward I refused to enforce them, but his son did so. Edward III protected alien merchants, but towards the end of his reign he recognised the right of towns to impose the regulations mentioned in the text.

duties and was therefore directly interested in encouraging overseas trade; the municipalities were concerned with the maintenance of their monopolies. This conflict of interests caused friction between the Crown and the large towns which continued until the close of the Middle Ages.

Certain bodies of alien merchants received special privileges. Of these the most important were the merchants of the Hanseatic League,¹ who came from certain German and Scandinavian towns, such as Hamburg, Cologne, Lübeck, and Danzig. This great confederacy acquired privileges and established trading connections in most parts of northern Europe. In England the Hanse merchants were exempt from many of the restrictions which were imposed on other aliens, and they enjoyed the advantage of preferential tariffs, even over English merchants.² They had depots in several east-coast towns; that in London was known as the Steelyard.³ They traded in many commodities, of which the most important were herrings and woollen cloth.⁴ They are known to have been in London early in the reign of Henry II, who issued to them a charter of privileges. These privileges were confirmed by Edward IV in 1474 in return for the financial aid which they gave him at the time of his campaign against Warwick and Margaret of Anjou.

The Gascon wine trade developed as far back as the time of Henry II, of whose empire Gascony was a province. The political connection between England and Gascony, which was maintained for three centuries, doubtless contributed to the development of the commercial connection, which continued after the loss of the province.⁵

Trading relations were also established with Venice. The spices of the East were in demand, and for centuries this great trading city maintained a depot for the distribution of oriental goods at Bruges. The normal channel of communication between Venice and Bruges was overland—by the Brenner Pass and the

¹ Very many towns were associated with the Hanseatic League, and it possessed depots as widely scattered as Bergen, Novgorod, and Bruges.

² They claimed the right to sell by retail as well as wholesale in any part of the country, and they were permitted to stay for unlimited periods. Needless to state, these privileges were resented by English merchants.

³ The Steelyard stood on the site now occupied by Cannon Street railway station.

⁴ The Hanse merchants brought into England furs, herrings, and tar, and, in course of time, many other things. They exported from England wool, woollen cloth, and leather.

⁵ Gascony was finally lost in 1453.

valley of the Rhine—but by the fourteenth century the practice grew up of sending every year a fleet to the English Channel.¹ This fleet, known as the Flanders galleys, was owned by the state of Venice, from which ships were hired by Venetian merchants who desired to take advantage of the opportunities presented for trade. The fleet remained under state supervision and control; in this way discipline could be maintained more effectively than would have been the case had it been a purely private venture, and it was possible for the Venetian Government to make trading agreements with the peoples who were to be visited. Having arrived in the Channel, the fleet split up into sections for trading with the ports of the Netherlands, the north of France, and the south of England.²

In the later Middle Ages an attempt was made to control the course of the English export trade by the establishment of the staple.³ This was a fixed market which was the centre of the overseas trade in the staple commodities, wool, hides and leather, tin, and lead; of these, wool was by far the most important, and it was often regarded as *the* staple commodity. At different times the staple was fixed at various foreign towns, Antwerp, Bruges, St. Omer, and others. Edward III made several changes in the location of the staple, at one time appointing several English towns as staples. It was again moved overseas, and was finally established at Calais. This town became the staple for tin and lead in 1348 and for wool in 1363. Some other changes were made, but the staple remained at Calais from 1399 until the loss of the town in 1558.

The regulation of foreign trade was consistent with the whole trend of medieval economic thought. Substantial advantages were to be expected from the direction of the whole volume of trade into recognised channels. Protection against pirates could be more readily secured, and the collection of customs was facilitated. Further, the congregation of buyers and sellers in one place

¹ Venice was, in the later Middle Ages, the greatest centre of trade in southern Europe. The trading routes followed by the Venetians were:

Westward, through the Po valley.

Eastward, through the Danube valley.

Northward, across the Brenner Pass and through the Rhine valley.

Through the Strait of Gibraltar to the English Channel and the Netherlands.

To the Orient: (a) through the Levant, across Syria and Mesopotamia, down the Persian Gulf to India; (b) to Alexandria, across Egypt, down the Red Sea to India.

² Especially at Southampton, Sandwich, and London.

³ The establishment of the staple dates from the reign of Henry III.

would tend to bring about that stability of price which in the Middle Ages was regarded as desirable. The variations of policy in the fixing of the staple were, possibly, to some extent due to political considerations; nevertheless, they indicate the existence of some degree of uncertainty as to what was the best course to pursue. The final choice of Calais was in the nature of a compromise. Calais was on the Continent, and the selection of a continental town was necessary if the building of English ships was to be stimulated; it was under English rule, and control could be maintained over the trade. The customs receipts, moreover, were available for the payment of the garrison, the cost of which was not a charge upon the English exchequer.

The Merchants of the Staple were those English merchants who exported the staple commodities, which they sold at the staple town to alien buyers. It was natural for men engaged in the same trade to form an association, and it was obviously convenient to the Government to encourage the society. By the time of Edward III the Staplers possessed a definite organisation. They were at first not numerous, but the society was not in essence monopolistic, and it is probable that any English merchants who desired to embark upon the trade found no difficulty in joining the Staplers.

The Merchant Adventurers existed as early as the thirteenth century,¹ and they, like the Staplers, were definitely organised by the time of Edward III. For a time, at least, there were several distinct bodies of Merchant Adventurers. The Merchant Adventurers of London² who traded with North Germany received a charter from Henry IV in 1404, while a companion body, which traded with Scandinavia, was granted its charter in 1408. The Merchant Adventurers of other towns, such as Newcastle, Bristol, and York, were separate but closely affiliated bodies, though it would probably be incorrect to regard them merely as provincial branches of the London Company.

The later constitution of the Merchant Adventurers was based on a charter granted by Henry VII in 1505. They were to be ruled by a governor, with a court of twenty-four assistants. The internal organisation of the Company was not unlike that of a gild, and the normal method of qualifying for membership was by apprenticeship. It was a regulated company;³ it did not trade

¹ The exact date of their origin cannot be stated with certainty.

² Probably the Merchant Adventurers developed out of the London Mercers' Gild. It may be noted that William Caxton, the printer, who was a governor of the Merchant Adventurers, had been apprenticed to a mercer.

³ See p. 77.

as a whole. The members, individually or in partnership, carried on trade, and each man enjoyed the profits or bore the losses of the ventures with which he was associated. All, however, were bound by the rules of the organisation and all shared in its privileges. A further charter granted to the Merchant Adventurers by Elizabeth, in 1564, limited membership to those who had served an apprenticeship of eight years, or who were able to pay a heavy entrance fee, or who were the sons of members.

The Merchant Adventurers secured privileges and established trading depots abroad in much the same way as the Hanse merchants did in England. For a time they were settled at Bruges, but the hostility of Venetian traders caused them to move their depot to Antwerp, which became the staple for woollen cloth, and to the prosperity of which they greatly contributed. In the sixteenth century Antwerp was also a depot for the sale of oriental produce by Portuguese merchants, who purchased from the Merchant Adventurers considerable quantities of English cloth for export to the East. The Merchant Adventurers were settled at Antwerp from 1444 until 1564. In 1567 they were welcomed to Hamburg, but the Hanse merchants secured their expulsion in 1578. At different times they were established at Emden and Stade, and by 1611 they were settled again at Hamburg, from which they were not finally expelled until the promulgation of the Continental System by Napoleon in 1806. Their English monopoly was abolished at the Revolution of 1688-9.

The Merchant Adventurers were engaged in the export of woollen cloth, and some of their number carried on trade upon a considerable scale. For this purpose capital was required to an extent far beyond what was needed for internal trade as conducted by members of the gild merchant. That many of the Adventurers possessed capital is undoubted, and it is of interest to inquire from what source the accumulation sprang. Several conjectures have been made upon the point; it is probable that the capital of the Merchant Adventurers represented the savings made out of the profits of internal trade.

During the fifteenth century the Adventurers and the Staplers came into conflict. The former contended that such of the latter as exported cloth ought to pay the fines (admission fees) required by the Adventurers, whose monopoly they would otherwise infringe. The Staplers asserted that their right to export wool included the right to deal in woollen cloth, but the Adventurers succeeded in their claim. They were by far the more flourishing company; the Staplers were declining, since the export of English

wool tended to diminish with the growth of the manufacture of woollen cloth.

More serious hostility developed between the Merchant Adventurers and the Hanse merchants. The ground of enmity was the effort of the English merchants to secure in German towns privileges similar to those enjoyed by the Hanse merchants in England, and the determination of the latter to prevent their rivals from obtaining a footing in the Baltic lands. As the Adventurers advanced in power and wealth they had an evident claim to the support of the Crown in the struggle. Threats of reprisal against the Hanse merchants in London led to the formulation of agreements which were not very honourably observed. In 1468 Hanse privileges in England were suspended, but, as mentioned above, they were restored in 1474 on promise being made of reciprocal treatment of English merchants abroad. Complaints continued, however, and, though the first two Tudors protected the Hanse merchants, Edward VI, in 1553, again suspended their privileges. Mary partially restored them, but the end was in sight. The privileges of German merchants in London were finally annulled by Elizabeth in 1578. The long struggle thus terminated, as was inevitable, in the triumph of the English merchants. With the closing of the Steelyard in 1597, the last traces of the control of English trade by alien merchants came to an end.

CHAPTER VII

THE AGRARIAN REVOLUTION OF THE SIXTEENTH CENTURY

THE transition from medieval to modern times was accompanied by changes in rural economy which were of so profound a nature as to justify the application to them of the term "Agrarian Revolution." One aspect of this, the enclosure movement, has been touched upon in the account already given of the break-up of the manorial system, and it will be considered more fully in this chapter. But the agrarian revolution of the sixteenth century, or, rather, of the period between the middle of the fifteenth century and the end of the sixteenth, was both wider and deeper in character than is to be inferred from a consideration of enclosures alone. Influences were at work at this time which changed the whole outlook of mankind.

Life in the Middle Ages was in the main co-operative and communal. In nearly every way a man was a member of a group, to which he was expected to be faithful and obedient. In religion all men belonged to the Catholic Church, which expected them to obey its rules and to believe what it taught, instructing them that only in that way could they be saved. An artisan would belong to the guild of his craft, and he was expected to be more eager for the reputation of the guild than for his own well-being. A trader belonged to a merchant guild, and a merchant who ventured overseas was probably a member of one of the companies which came into existence towards the close of the Middle Ages. Most men worked on the land and occupied some place, high or low, in the feudal system. In every relation of life a man found himself belonging to some guild or society or other body, and such groups were always more important than their members, upon whose obedience they insisted.

With the passing of the Middle Ages this communal spirit gave place to individualism. Guilds and manors decayed; Protestantism challenged the authority of the Church. Men learned to think and act for themselves. They were no longer content to work, as units in an organisation, for others as well as, and more than, for themselves. The claims of self-interest were being asserted. Co-operation gave way before competition. Commercialism replaced custom.

The destruction of baronial power in the Wars of the Roses brought peace to the land. New occupations came into existence. Industries were developed and trade expanded. Seafaring became common, and before the end of the Tudor period English ships had visited every sea on the globe. Agriculture, though it remained the chief industry of the country, ceased to monopolise men's attention. It fell into the position of being one of several forms of English economic activity, and those who tilled the land did so not merely to feed themselves but to supply the whole nation with food. Although a good deal of marketing of agricultural produce had taken place in the later Middle Ages, and although until long after the sixteenth century a certain amount was still consumed by its producers, it nevertheless remains broadly true that medieval agriculture was carried on for subsistence and that from the sixteenth century tillage was conducted for profit.

Reference has already been made to the movement for enclosure and consolidation. Actually, two or three separate, though concurrent, movements of this nature may be distinguished. During the later Middle Ages a movement for the consolidation of arable fields began, and this was carried farther in the Tudor period. The holders of scattered strips might agree to exchange them, with a view to consolidating their holdings and enclosing them with hedges. The demesne was commonly treated in this way, and to some extent the practice was extended to the holdings of the customary tenants. The extent of such enclosure and consolidation was considerable; yet the greater part of the arable land of the country remained in open fields. Where such a movement took place tradition lost its force and more up-to-date methods of cultivation became practicable. It is possible that the process was attended by the buying out or eviction of some of the smaller cultivators, so that holdings tended to become larger, and it may have been possible to work consolidated farms with less labour, so that some loss of employment may have been caused, but it may nevertheless be asserted that in general only beneficial effects followed the enclosure of arable for the purpose of improved tillage.

More serious results attended the extension of pasture farming. This involved, in the first place, the conversion of the demesne, and if, as was commonly the case, this had been consolidated and enclosed in the fourteenth and fifteenth centuries, it was achieved without difficulty. It was followed by the addition to the lord's sheep-run of the common pasture, the "waste" of the manor. The lord, indeed, was bound by law to leave sufficient common for

the use of his tenants,¹ but he alone was the judge of what was enough, and in any case no effective means existed of enforcing the obligation. The customary tenants were attacked next. They were evicted from their holdings and expelled from the manor,² or, when the death of a copyholder occurred, his successor was faced with a demand for a relief so exorbitant that he preferred to abandon the holding.³ Finally, the freeholders, who could not legally be evicted, could be bought out.⁴

Pasture farming was not limited to land held directly by manorial lords. Many leaseholders who held large areas for which they paid rent found it more profitable to keep sheep than to till the soil. They were not hindered by any customary obligation. Their rents were arranged on a competitive basis, and it was natural for them to try to get the best return possible for their holdings.

Many people were forced to leave the manors which were turned into pasture. As stated above, some were summarily evicted; others found it impossible to continue in the old way after the common pasture was enclosed. Many men of humbler rank who had been accustomed to work for wages found their occupation gone, and they left the manor to seek employment elsewhere. The depopulation of the countryside in those regions where sheep-farming was carried on was one of the most sinister effects of the movement.

The effect of the pasture movement was felt in places where land still remained under cultivation. Land became more valuable, and rents tended to rise. This did not apply to copyholds (at least, not to copyholds "by inheritance"), but leasehold farmers found their landlords unwilling to renew their leases at existing rents or without the exaction of substantial fines. If they declined the new terms other men were willing to replace them, or,

¹ Although the Statute of Merton specifically applied only to knights and freeholders it was in later years interpreted as affording protection to customary tenants also.

² Some copyholders could be evicted at any time; others held for a term of years; others held for three lives (they could be evicted when the last of three specified persons died). Few enjoyed copyhold of inheritance, with fixed fines upon succession; only such were secure.

³ No statutory protection against exorbitant reliefs was afforded to customary tenants until 1781.

⁴ Much difference of opinion exists as to the extent to which customary tenants were protected by the courts. Instances of the recognition of the rights of copyholders by the judges are to be found even in the fifteenth century. It is probable that much misconception has arisen on this subject in modern times through assuming a degree of uniformity in the conditions under which copyhold land was held that did not exist. For the most part, in the period under review, copyholders were defenceless.

alternatively, the land would yield to its owner a good return under grass.

A system of mixed or convertible husbandry appeared in some parts of the country, especially in Midland counties. A farm would be divided into a number of fields, each of which would be under grass for six or seven years and would then produce corn crops for two or three years, a regular rotation for a period of nine or ten years being arranged. It is evident that such an arrangement could be attempted only on a large farm and that a substantial amount of capital would be required to make a success of the venture.

Landlords in the sixteenth century were severely criticised for their avarice in demanding higher rents for land as opportunity offered. But there were other reasons than the greed of landlords for the rise in rents. The Tudor period was a time of rising prices. The steady influx of the precious metals from America, and their circulation all over Europe caused a slow but continuous rise in prices, which was felt in England as well as elsewhere, and in this country the debasement of the coinage by Henry VIII operated in the same direction. Landlords, in common with other people, found that prices were rising and that their incomes would no longer purchase as much as formerly. They tried to advance their rents wherever they could, and, indeed, it was hardly reasonable for tenants to expect that they should enjoy the advantage of higher prices for their corn and wool without having to pay higher rents for their holdings. The copyholders, it is true, were in this fortunate position, and the landlord had to limit his extortions to his leasehold tenants.¹ The contrast between their position and that of the customary tenants probably accounts to some extent for the loudness and frequency of the complaints.

Men who left the manor in order to find employment elsewhere found conditions no better in other places and were forced to beg for bread. Other factors contributed to the spread of vagabondage. The dispersal of the great baronial retinues by the early Tudors set loose upon the countryside hordes of men who were accustomed to fighting but not to working. While the monasteries remained the evil was held in check. The almoners of the great abbeys and priories distributed bread and ale daily to destitute folk who cared to apply to them. With the dissolution of the monasteries these hangers-on of the religious houses swelled the already formidable bands of vagabonds. Pauperism became a problem with which

¹ In some cases efforts were made to induce copyholders to surrender their "copies" in exchange for leases.

the State was forced to deal and in connection with which it was compelled to formulate a policy.

The discontent of the poor was shown in the revolts which occurred in the middle of the Tudor period. The causes of a rebellion are usually complex. Whatever be the real aim of its promoters they find little difficulty in persuading discontented men to join them. Kett's rebellion, which occurred in 1549 in the county of Norfolk, was caused by the extension of enclosures, the prevalence of sheep-farming, and the advance of rents. The Pilgrimage of Grace in 1536 was ostensibly due to the dissolution of the smaller monasteries, the Western revolt of 1549 to the introduction of the first Book of Common Prayer; in both cases there is little doubt that agrarian discontent helped to swell the numbers of the rebels.

The enclosure movement did not escape the attention of the Government. The Tudors frowned upon the conversion of arable land to pasture, and many laws were passed to deal with the matter. In 1487 a statute was passed to restrict pasture farming on the Isle of Wight on the ground that population had been diminished and the island left without adequate defence from invasion, and in 1489, by another statute, the further conversion of arable to pasture in any part of the country was forbidden. In yet another statute it was ordered that newly converted pasture should revert to arable. This type of injunction might be evaded by the driving of a single furrow diagonally across a field; the land was once more "under the plough." The problem was attacked from another angle when it was enacted that the number of sheep which might be held by one man should not exceed a stated number (2,000). Evasion was possible through the pretence that some flocks were owned by other members of the family. In any case there was no effective machinery for enforcing such laws. Justices of the Peace, whose duty it was to see that they were obeyed, belonged to the class of landed gentry against whom they were directed; they themselves were often interested in disregarding them.¹

The economic effects of the dissolution of the monasteries were of great importance. A large proportion, perhaps one-third, of the agricultural land of the country changed hands in the course of a few years. Manors which had been held by monasteries for

¹ In the *Discourse of the Common Weal* (1549) it was asserted that the problem could be solved only by making the profits of tillage as high as those of pasture, and it was suggested that this might be done by removing all restrictions on the export of corn.

hundreds of years passed into the hands of laymen. These new owners frequently disposed of their property, and sales of landed estates became much more common than in the Middle Ages.¹ The monks are reputed to have been easy-going; certainly they were conservative in their methods. They had hardly moved with the times, and, as already stated, there is reason to believe that on some ecclesiastical manors bailiff-farming, which elsewhere had been discontinued for some time, lasted right up to the dissolution. But the new owners were men of other ideas. They wished to gain the most for themselves out of their new possessions. In some cases rents were raised, in others sheep-farming was introduced, in yet others old privileges were thrust aside and disregarded. The new owners were blamed by their contemporaries and their historians for the course they took. To them has been attributed responsibility for the evils of the times. But to impute the whole blame to them is unfair. Their action was consistent with the tendencies which had long prevailed on other than ecclesiastical manors; they were engaged, in fact, in bringing their property up to date.²

It is easy to exaggerate the extent of the changes which occurred; it is certain that they were exaggerated by contemporary writers.³

¹ This is well illustrated by the history of the manor of Barking, in Essex. The manor, apart from the demesne, remained in the hands of the Crown till 1628, when Charles I sold it to Sir Thomas Fanshawe. But the demesne, together with the site of Barking Abbey and the house itself, was leased by Henry VIII to Sir Thomas Denny. Edward VI granted it on 6th November, 1551, to Edward Fynes, Lord Clinton, who on the following day transferred it to Sir Richard Sackville. Its history for the next few years is obscure, but in course of time it was acquired by John Stonard, who in 1565 sold it to William Avery. In 1583 George Harvey sold it to Peter Palmer. Later it was recovered by the Crown, and in 1605 James I granted it to Augustus (or Augustin) Steward, who retained it till his death in 1628. His son Martin Steward appears to have sold it to Matthew Stille, who in 1631 sold it to William Fanshawe. The Fanshawe family retained both the demesne and the rest of the manor for many years.

The manor, including the demesne, was probably held by the abbey without intermission from its foundation in 689 to its dissolution in 1530, a period of eight hundred and fifty years. Within the next century the demesne changed hands a dozen times or more.

² Landed estates often changed hands for cash; it is not remarkable that purchasers regarded these transactions as investments on which it was legitimate to try to secure the best possible return.

³ A false impression may be gathered from the fact that rebellions occurred. At the present time popular opinion finds expression in the press or in public meetings, and may become effective when elections occur; four centuries ago there were no newspapers, and Parliament met only occasionally, while the common people had no votes. The only method of indicating discontent was revolt.

Statistical evidence has been compiled which shows that the total extent of enclosure for pasture was much less than was formerly supposed. The country was, in the main, still devoted to tillage, and open-field cultivation was, at the end of the sixteenth century, still the rule and not the exception. There is, indeed, some ground for supposing that the pasture movement was overdone and that in the time of Elizabeth there was some reversion to arable. But when full allowance has been made for all this it nevertheless remains true that vital changes occurred in English agriculture in the Tudor period, changes in method, in organisation and in aim which are sufficiently important to mark the transition from medieval to modern times.

CHAPTER VIII

MERCANTILISM

IN the earlier chapters of this book it was shown that every aspect of medieval economic life—agrarian, industrial, commercial—was subject to regulation. Men toiled and planned as units in some organisation, whether manor or gild or company. The sphere of economic activity was local—the manor or the town—and, though some trade was carried on between town and town, between town and country, and between England and other lands, it was regarded, if not exactly as an evil, as less desirable than local self-sufficiency. Moreover, the pursuit of wealth for its own sake was frowned upon; medieval economic activity was associated with principles which were based upon the tenets of Christianity, and it was not so completely divorced from ethics as is that of to-day.

This attitude was natural in an age when communication was so difficult that men rarely travelled, and when they were barely conscious of the idea of nationality. The peoples of western and central Europe were more conscious of their common Christianity, of their membership of the Church and their obedience to Rome, than of their nationality. They were not, indeed, altogether oblivious of nationality, but the thought of it was not uppermost in their minds. The divisions of medieval society were "horizontal rather than vertical." Men thought of themselves as knights or merchants, priests, artisans or serfs, rather than as Frenchmen, Englishmen, or Germans. A knight of the Rhineland had more in common with a knight of Castile than with one of his own serfs; a priest of East Anglia and a priest of southern Italy would, if they had met, have been more in sympathy with one another than with the laity around them.

Towards the close of the Middle Ages the idea of nationality became rather more distinct. One of the results of the Hundred Years War must have been to promote this feeling among Englishmen and, after the exploits of Joan of Arc, among Frenchmen. The fifteenth century witnessed the Renaissance, the fall of the feudal nobility in England, and the beginning of the age of geographical exploration; the Reformation soon followed in the sphere of religion. The spirit of nationality developed in most parts of Christendom, and the modern age is marked off from medievalism by the appearance of nations conscious of themselves as separate political, religious, and economic entities.

When a nation became fully developed in this way it became equally conscious of the existence of other nations, and it was disposed to view them as potential enemies. The aim of the nation was to preserve its independence. For this purpose the activity of its people in every direction had to be regulated and controlled. The freedom of action which in later times was regarded as the right of the individual was subordinated to the necessities of the State. Private interests could not be permitted to take precedence of considerations affecting the well-being of the nation as a whole. This was akin to the spirit which was prevalent in the Middle Ages, but it was applied to the whole nation instead of being limited to manor or town or gild. The direction of political and economic affairs in the interest of the nation, which the circumstances of the time seemed to demand, was impossible without an authority sufficiently strong to exercise control. This authority was monarchical in character, and powerful despotisms prevailed in most of the countries of Europe from the sixteenth to the eighteenth, and in some cases to the nineteenth, century.

The system which was thus evolved was in England styled Mercantilism. It should be observed, however, that this term was not necessarily in common use during the prevalence of the system. It is possible, after the lapse of centuries, to look back upon it in order to observe it, to consider its aims, to criticise its measures, and to estimate its results, and, consequently, to apply a terminology to it. To the men who lived at the time of its prevalence it was less evidently a system with definite aims; they took it for granted, and only in the eighteenth century did they begin to question its principles.

Mercantilism involved the control of English activity, political as well as economic, in order that England might be powerful. As stated above, Englishmen were beginning to be nation-conscious as early as the Hundred Years War, and national, as distinct from local, control was being exercised from the time of the three Edwards. The full nation-consciousness which developed in the sixteenth century under the influence of the autocratic rule of the Tudors at home and of the opposition to Rome and to Spain abroad found partial expression in the Mercantilism which flourished from the sixteenth to the eighteenth century. By the time of the Georges, however, the efficacy of national regulation of economic activity was being doubted. It was still held that the interests of the individual should be subordinated to the well-being of the State, but some doubt was being felt as to whether these

interests need be in conflict, and whether, in fact, the highest well-being of the State would not follow the fullest development of the interests of individuals. The undermining of mercantilist principles resulted in the triumph of *laissez-faire*, and the "policy of power" was replaced by a "policy of plenty."

The mercantilist aim, the development of national power, called for State action in many directions. One of the essentials of power was the maintenance of a large and healthy population. This ideal was attained only imperfectly during the period under consideration. Medical science was in its infancy, and the conditions of healthy existence were not understood. But country life was regarded as healthier than that of the towns, and the Government discouraged movements, such as the extension of, sheep-farming, which tended to bring about rural depopulation. The maintenance of the peasantry on the land was considered to be of great importance, and, though at times the production of wool might be more profitable than that of wheat, the prosperity of individual landowners was regarded as of less importance than the well-being of the State.

For another reason tillage was to be preferred to pasture. The maintenance of the national food supply could not be permitted to be dependent upon the goodwill of other nations. If the country had not been self-sufficient in this respect it would have been at the mercy of its enemies in time of war, unless its naval force was of overwhelming strength. The country which relied for its food upon outside sources of supply might be starved out.

The importance of naval strength was not overlooked by the mercantilists. The geographical position and insular character of this country secured it from invasion by armies from the Continent unless and until the command of the sea had been obtained by the enemy. This was fully recognised in the later Middle Ages, and in the Tudor and Stuart periods measures were taken to increase the maritime strength of the realm. There was no sharp distinction between fighting ships and trading vessels; the latter could be transformed into the former by the mounting of a few guns. It was, in fact, common for merchant ships to be armed for defence against piratical attack. The State did not keep up a large professional navy, which would have been very expensive to build and maintain, but by a series of Acts of Parliament which began as far back as 1381 it encouraged the building of merchant vessels which might be pressed into the King's service when required. Attention was given to the manning of ships, and for the purpose of training seamen deep-sea fisheries were

developed under State patronage. The supply of naval stores of all kinds also received attention.

The regulation of industry ceased to be local, as in the Middle Ages, and was carried on by the State. After 1563 it was based on the Elizabethan Statute of Artificers, which is dealt with elsewhere in this book. Directions were issued from time to time by the Council, and it was the duty of Justices of the Peace to see that they were carried out.

Overseas trade also was subject to State control. The direction of internal trade and industry was a comparatively easy matter, since the Government exercised authority over all parties—buyers and sellers, employers and workers. But it had no jurisdiction over the aliens with whom business was done in remote lands, and it was found that control was most easily exercised by entrusting foreign trade to monopolistic chartered companies. The importance of these companies in the development of English commerce will be discussed in another chapter. It is sufficient to point out here the close connection in mercantilist theory between foreign trade and the supply of bullion.

Great attention was paid by economists of the Tudor and Stuart periods to the question of treasure, and much of the criticism which has been framed against Mercantilism has been directed against this aspect of the system. It was felt that an adequate supply of gold and silver, in the form of bullion or of specie, was essential to the safety of the State. Treasure was needed for the waging of war, since with it all other things could be purchased. Spain possessed it in abundance, since she controlled the silver mines of Mexico and Peru; every year a treasure fleet, bearing the year's produce of the mines, sailed for Spain. England possessed no mines of gold or silver, and she had to obtain the precious metals in other ways. In the fourteenth and fifteenth centuries the crude view prevailed that the desired end might be attained by permitting the import and prohibiting the export of gold and silver. Experience proved that such a prohibition, even when backed by the heaviest of penalties, was ineffective, since no adequate means of supervision existed to prevent unlawful export. The mercantilists considered that better results would attend the regulation of trade in such a way that there would be a natural flow of the precious metals to this country. Imports from another country were paid for by exports to it, and only the difference in value between imports and exports need be paid for in gold. If the amount of export exceeded that of import the balance would be in favour of this country, and gold would come in. With some

countries England had admittedly a favourable balance; with others, unfavourable. One of the aims of commercial regulation was to promote trade with the one group and to discourage it with the other. It was not until the seventeenth century that it was recognised that an unfavourable balance with one country might be more than compensated for by a favourable balance elsewhere. The East India Company was compelled to pay in gold or silver for most of its purchases in India; the balance between England and India was definitely unfavourable, and the Company incurred criticism on this account. But its supporters contended that the sale of oriental products in Europe for much more than their original cost brought into England more treasure than had been exported, and their view prevailed.

In the light of modern economic knowledge the methods by which the mercantilists attempted to amass treasure in the form of the precious metals cannot be defended. It may be noted in the first place that if every nation attempted to export more than it imported there would be an end to international trade. Again, the mercantilists confused the end with the means; they thought of the inflow of precious metals as a balance after deducting imports from exports rather than as an import for which they were paying so much in the form of exports. Moreover, at this time the precious metals were used as the currency of the country, and they overlooked the fact that the laws of supply and demand apply to gold and silver, in whatever form, as they do to other commodities. Accordingly, if the quantity of the precious metals in a country increased and other circumstances remained unchanged, they became cheaper or less valuable. In other words, the prices of other commodities, as expressed in terms of gold and silver, rose. As a result of higher prices foreign merchants would be less inclined to buy from and more anxious to sell to such a country, so that imports would increase and exports decrease, and the statesman would see his treasure vanishing from the country. These mistakes concerning the means by which the precious metals might be obtained and concerning their influence, as currency, upon prices account for what are now regarded as unreasonable attempts to amass treasure by encouraging exports and discouraging imports.

The mercantilists were prepared to distinguish the effects on national well-being of different kinds of trade. The importation of raw materials, which might be worked upon by English artisans and ultimately re-exported with their value enhanced, was to be commended, since the ultimate effect on the balances would

be advantageous, and there would be the additional benefit to be derived from promoting British industry. The export of English raw materials was disliked, despite its possibly beneficial effect on the balances; such commodities, it was held, should be worked upon and exported in a manufactured form.

Settlement overseas was sanctioned only if it conformed to mercantilist principles. It was recognised that climatic and other conditions made impossible the production at home of many things which could be raised in abundance in places which enjoyed different conditions. But advantage could be gained from colonisation only if the colonies were subject to regulation on mercantilist principles. Colonial trade was subject to the control of the English Government. Such colonial products as could not be grown in England and were needed in England were to be sent only to England. They were "enumerated" for this purpose. Those products which were non-enumerated (because they were of little or no value to England) might be sold elsewhere, but all trade, whether in enumerated or non-enumerated goods, had to be carried in British ships.

This system, which is described more fully elsewhere, was known as the Old Colonial System. Under it the plantations were not regarded as daughter-nations which merely required tutelage and protection until they were sufficiently well established to direct their own affairs, but as outposts of the home country, to which, from an economic standpoint, they were subordinate.¹ The Old Colonial System has been condemned on account of its having subordinated the interests of the colonies to those of the mother-country. But this was of the essence of Mercantilism, which declined to recognise that the interests of any individual or group or class or region should be preferred to the well-being of the whole nation. There were, moreover, other grounds on which the Old Colonial System might be defended. Englishmen had incurred considerable expense in the foundation of the colonies, which in most cases were for a time not self-supporting, and England continued to be responsible for colonial defence. These circumstances might be held to justify her in ordering colonial trade to her own advantage.

Mercantilism has been subjected to a good deal of criticism in the light of present-day economic views. If all men aimed at the

¹ The economic dependence of the plantations under the Old Colonial System stands in sharp contrast to the degree of political independence which they enjoyed. They were, in many cases, in a more advanced political condition than the mother-country.

immediate satisfaction of their own wants by their own efforts, if each man built his own house, cultivated his own cabbage patch, and made his own clothes from materials of his own production, society would revert to extremely primitive conditions and a much lower standard of comfort would be attained. Better results are secured by men following different occupations and exchanging goods and services through the medium of money. This is the principle of the division of labour, and it is applicable to regions as well as to men. If each locality specialises in the production of certain goods and services and these are exchanged for other goods and services, the result is to the greater advantage of all than if each tries to be self-sufficient. But Mercantilism aimed at national self-sufficiency, and in this respect stands condemned.

Against this view the conditions of the time must be taken into account. Nations existed; they were conscious of the existence, and they suspected the hostility, of other nations. They felt that safety was to be preferred to abundance; they dared not trust their neighbours. The acceptance of this point of view provides all that is necessary as a justification of Mercantilism as the only practicable policy for the time.

CHAPTER IX

COMPANY TRADING

DURING the later Middle Ages English overseas trade was carried on mainly by aliens; by the sixteenth century it had to a considerable extent passed into the hands of English merchants. The alien organisations which had controlled English trade encountered difficulties and fell upon evil days. The discovery of the Cape route to the East compelled Venetian merchants to face the competition of the Portuguese. Venice had, in addition, to assist in meeting and overcoming the peril to Christendom involved in the advance of the Turks. (The Mediterranean east of Malta was by the sixteenth century almost a Turkish lake.) Nevertheless, she held her own for a time, but the visits to these shores of the Flanders galleys became irregular and of less importance, and they ceased in 1587. The Hanse merchants, also, were faced with difficulties on the Continent and in England; as has already been stated, their privileges in this country were annulled by Queen Elizabeth.

The geographical discoveries of the concluding years of the fifteenth century and the early part of the sixteenth century were not made by Englishmen, although the Cabots sailed from Bristol to Newfoundland under the patronage of Henry VII. But England was well situated for taking advantage of the exploration which was begun by the mariners of other nations. A broader outlook was developed in the minds of Englishmen. Men whose ancestors for centuries had been stay-at-home husbandmen and who had thought hitherto that their little island home was remote from the centre of civilisation became alive to the fact that the world was much larger than had been realised, that it contained many strange lands and wonderful things awaiting discovery, and that they were admirably placed for attempting exploration. In English minds a spirit of adventure was aroused that has never since died away. English ships ventured afar, and before the end of the Tudor period the globe had been circumnavigated by Englishmen.

The motives which inspired the men of Elizabeth's time to take to the sea were not entirely commercial. The Reformation took place in the course of the sixteenth century, and England renounced her medieval allegiance to the papacy. Spain remained

faithful to Rome; Spain was the foremost colonising power of the New World; Spain determined to reduce England to obedience to Rome. English sailors, for their part, resolved to attack Spanish power in all parts of the world. Much of their activity, if it were judged on the principles of international law as recognised at the present day, would be regarded as piracy, but it was a piracy inspired by national and religious feelings. In the Channel, in the West Indies, in the Pacific and Indian Oceans, it was English and Protestant, in opposition to Catholic Spain.

Out of this intermingling of adventure, exploration, piracy, and religion opportunities for commercial intercourse arose, and they were seized by English merchants. Individual traders, however, were discouraged, and from the sixteenth century to the eighteenth commerce was carried on by great companies, which held charters granted by the Crown; by the terms of its charter a company enjoyed a monopoly of trade between England and some definitely specified part of the world.

For several reasons it was thought that company trading was to be preferred to individual effort. Much of this commerce was carried on with remote lands, inhabited by people of strange ways and language. An individual trader, or interloper, going to such regions to trade, might not hesitate to use violence and fraud, trickery and deceit, in order to secure the greatest possible profit. He might make a fortune in a single voyage. That he would impair the good name of his race among the people he visited would not disturb him, since not he but some other trader who followed him to the same place would suffer for his sins. But a company would not follow such a policy. Its trade would be carried on year after year, and it would be anxious to build up and maintain a reputation for honesty and fair dealing. It would claim, and with justice, that this reputation ought not to be imperilled by the proceedings of interlopers. Further, a company would be more powerful than an interloper and might obtain, from the ruler of the land visited, special privileges which would not be granted to the solitary merchant. The voyage over the seas was full of peril. Almost from port to port the merchant ship was in danger from pirates, who swarmed in all parts of the world. A company, however, could take more effective measures against these miscreants by arming its ships and by sending them together for mutual protection. The Government, too, found the company system preferable to that of trade carried on by a host of private adventurers. Duties had to be levied and rules made. To deal with a large company in such matters was easy. The company

would not conceal its cargoes nor stoop to smuggling, since it dared not offend the Government which had issued, and might revoke, its charter.

But the interloper¹ was never quite put down. He represented the daring, adventurous spirit of the nation. Company trading was subject to regulation and discipline; it conduced to the maintenance of steady, well-ordered intercourse of limited amount, and it hardly favoured the spirit of enterprise. The company was solid and respectable; the interloper might, if occasion offered, indulge in a little piracy. Individual traders often ventured to parts of the world which were not touched by chartered companies, and trading developed as the result of such enterprise. This sometimes led to the formation of new companies, so that the individual trader was in some cases the pioneer of the company. The companies held their own during the seventeenth century. In the eighteenth century they declined, and to an increasing extent the overseas trade of this country passed into the hands of individual merchants.

The outstanding criticism which was directed from time to time against the companies was that they were monopolistic in character. It is of some importance that the exact nature of this complaint should be understood. That a company should hold a monopoly of English trade within a specified region was inevitable; the matter was settled by the terms of its charter, and it was held that open trade with remote regions was hardly possible. The gravamen of the complaint lay in the manner in which the company used the privileges entrusted to it. If by charging excessive entry fees the clique which directed the affairs of the company made it difficult or impossible for merchants who were interested in the trade to become members, if it manipulated prices and limited supplies in such ways as to secure the maximum of advantage to members without regard to the public interest, then the evils of monopoly trading were in evidence, and there was felt to be some justification for the activities of interlopers. If, on the other hand, admission to the company was to be had on reasonable

¹ The struggle between interlopers and the companies was not unconnected with the rivalry which existed between provincial ports and London. The majority of the members of a company traded from London, and when joint sailings were arranged it was natural that the convenience of London members should be consulted. Merchants of other places, who could not influence the company's policy, resented the company's control over them, and occasionally they attempted independent trading. In this connection it may be remarked that London, on account of its size, its wealth, and its position, would under any system have been pre-eminent in English overseas trade.

terms, interloping trade could not be defended; it might be assumed that the man who attempted to trade independently did so because he was unwilling to submit to a reasonable and necessary degree of regulation, and that it was he and not the company who was guilty of disregarding the public weal.

That some qualification should be required for admission to a company and some restriction placed on the number of its members was not unreasonable in view of the conditions prevalent at the time. The business of a merchant required training, and in some companies it was usual to require candidates for admission to have undergone apprenticeship to a merchant already engaged in the trade.

The trading companies were of two distinct types, regulated and joint-stock. A regulated company was an association of merchants which possessed a charter authorising its *members* to engage in a specified trade. The company drew up rules, and negotiated with its own government and with foreign rulers. It laid down conditions under which membership might be acquired, and it enforced discipline among its members. It might establish depots in the countries with which trade was carried on, and it might appoint representatives in those countries to safeguard the interests of its members. But the company as a whole did not trade. Each venture was supported by members, singly or in partnership, and only those who were concerned in an undertaking shared its profits or bore its losses. All had, of course, to conform to the rules of the company, but, subject to this limitation, there was no restriction on the activity of members, and there must have been great differences in the amounts of trade undertaken by them.¹ The question of the evils of monopoly arose in the case of a regulated company only if the fine for admission was unreasonably high.

The reader will have little difficulty in understanding the organisation of joint-stock companies, since they exist to-day in large numbers. In these organisations capital is contributed by the

¹ No association of this type is at the present time engaged in foreign trade. The organisation of Lloyd's may, however, be compared with that of a regulated company. Lloyd's is an association of underwriters, who undertake insurance business of all kinds. These men will quote premiums for insurance against any kind of risk, and if the business proposed is substantial in amount the premium (with the risk) is shared among a number of them. But only those who share a premium are expected to co-operate in making good a loss, if such should be incurred. Lloyd's, as a whole, does not transact insurance business, though it may charge entry fees to its members and may draw up rules to which they are expected to conform in the conduct of business.

members; the company, as a whole, carries on its affairs through its paid officials, and its members, or shareholders, receive their proper proportion of the profits in the form of dividends on their shares. It is not necessary for shareholders to be familiar with or even interested in the technicalities of the business carried on by the company; their function is limited to the provision of capital. Unlike the members of a regulated company, all the shareholders of a joint-stock company are financially affected by the success or failure of every transaction in which the company is engaged. Unless a joint-stock company is desirous of extending its business and, therefore, resolves to issue new shares, it is possible to obtain possession of its shares only by purchasing them of an existing holder. From this brief description of their organisation it will be realised that the joint-stock trading companies of the Tudor and Stuart periods were far more open to the charge of being monopolistic in character than were the regulated companies.

Mention has been made in an earlier chapter of the Merchant Staplers and the Merchant Adventurers. The latter, which was the greatest of the regulated companies, was victorious in its struggles with the Staplers and with the Hanse League, and after the establishment of its settlement at Hamburg it controlled English trade with North Germany till the beginning of the nineteenth century. In order to wrest the Baltic trade—mainly in naval stores, i.e. tar, masts, and hemp—from the Hanse merchants a company of Eastland merchants was formed; it was chartered by Elizabeth in 1579. It never became so important as some of the other companies which were founded during the sixteenth century, since in course of time naval stores were obtained from North America. In 1672 the Baltic trade was practically thrown open, since any one could engage in it upon joining the company, and this entailed payment of an entrance fine of no more than forty shillings.

A company, afterwards known as the Muscovy Company, was established and chartered in 1553 in order to try to discover a north-east passage to the East. A voyage was undertaken by Sir Hugh Willoughby and Richard Chancellor; Willoughby died of cold, but Chancellor reached Archangel and travelled overland to Moscow, where he was well received by the Tsar. The possibility of trade being opened up with Russia was observed, and a new charter was granted to the Company in 1555. It enjoyed a monopoly of trade with Russia and aspired to extend its activities towards the south-east. For a time it secured a share in the Persian trade, which, however, was in the main retained by the

Levant and the East India Companies. During the seventeenth century its prosperity declined. It suffered from Dutch competition and from the dishonesty of its factors, who amassed wealth by private trading. Its warehouse at Archangel was destroyed, and the Tsar refused to renew its privileges. It was reorganised as a regulated company, but membership was restricted by the maintenance of a high admission fee. At the end of the seventeenth century this was reduced to five pounds, and in the eighteenth century trade with Russia was no longer monopolised by a few men.

Trade with the Mohammedan countries which abutted on the Mediterranean was carried on by two companies. The Barbary Company, which attempted to establish commercial relations with places on the north coast of Africa, was a failure, but the Levant Company succeeded in building up a large trade with the countries of the eastern Mediterranean. Hitherto this trade had been controlled by the Venetians, but the French secured a footing in it in the sixteenth century, when Francis I concluded a commercial treaty with the Sultan. The Turks were defeated by the Spanish at the Battle of Lepanto in 1571, and, in view of the growing hostility of England towards Spain at this time, the Sultan readily conceded privileges to English merchants. In 1581 Elizabeth granted a charter for a period of seven years to a company of merchants engaged in Levantine trade. The Company, which was known as the Turkey Company, failed to secure a renewal of its charter, but it did not cease to exist, and in 1592 it was merged in a new organisation, the Levant Company. In course of time regular sailings were established. Piracy was so common in the Mediterranean that it was thought to be inadvisable for ships to make solitary voyages, and it became usual for a fleet to sail annually for Smyrna and other ports in the Sultan's dominions. The Company was at first a joint-stock, but in the reign of James I it was reorganised as a regulated company. It suffered at times from the competition of the Muscovy and East India Companies, both of which imported Persian silk. In 1754 admission was made easier, though the trade was not thrown open till 1825, when the Company surrendered its privileges.

The most famous of the great trading companies was the East India Company. During the sixteenth century oriental trade was shared by the Venetians, who used the "overland" route through Egypt, and the Portuguese, who went to the East by way of the Cape. In 1580 Portugal passed under the rule of Philip II of Spain, and, though it was not formally incorporated in Spain,

Portuguese possessions became, for all practical purposes, Spanish possessions, and Portuguese trade became Spanish trade. Spain already dominated the New World; she threatened to become equally powerful in the East. Silver and spices alike would contribute to her enrichment. Towards the end of the sixteenth century England was taking her natural place as the champion of the Reformation, and English seamen resolved to attack Spanish power in the East as well as in the West.

The immediate cause, however, of the formation of the East India Company was to be found in the activity of the Dutch. Dutch merchants were already venturing to the East, and their monopolistic action was resented in London. A meeting of merchants was held "in my lord mayor's parlour, to consider the unchristian price of pepper," and it was resolved to establish a company to develop direct trade with India.

The East India Company received its first charter on 31st December, 1600, and, though at first the existing rights of the Levant and Muscovy Companies were expressly safeguarded, the limits of the monopoly of the new organisation were fixed as between the Cape of Good Hope and the Strait of Magellan. For the first few years the affairs of the Company were conducted on the principle of raising a separate joint stock for each voyage, the capital being returned to the subscribers when the venture was completed. As the expense and risk attendant upon voyages of such great length were considerable, it was necessary for merchants to combine to finance them. The accounts of each voyage were made up separately, and a long time necessarily elapsed before final settlement could be reached. In 1612 a joint stock was established for a number of voyages, and in 1657 a permanent joint stock, non-returnable, was raised. During the first century of its existence the Company encountered and overcame many difficulties—the rivalry of the Dutch Company,¹ the activity of interlopers, hostile criticism at home, and the establishment of a rival company in 1698 (which, however, was amalgamated with the original organisation ten years later). The trading activity of

¹ In its early days the East India Company tried to build up trade with the Spice Islands, where goods from continental India were in demand. Factories were established on the mainland, and silks, calicoes, and indigo were taken from India to the Spice Islands. The Dutch resented the commercial activity of the English merchants and massacred a number of them at Amboyna in 1623. The political situation in Europe was such that no retaliatory measures were taken at the time, and it was left to Cromwell to exact retribution for the massacre. Meanwhile, the English hold on the Spice Islands was lost, and English commercial activity was diverted towards the mainland.

the East India Company extended as far as China and Japan. It also obtained privileges from the Shah of Persia which involved it in contentions with the Levant Company with regard to the extent of the latter's monopoly.

From the middle of the eighteenth century the history of the Company is bound up with the extension of British influence in India. It became a governing as well as a trading corporation, though its political activity was controlled by the British Government under the Regulating Act of 1773 and the India Act of 1784. In 1813 the Company lost its monopoly of trade with the East Indies, which was thrown open, though it retained the China trade until 1833. In that year it ceased to trade, existing thenceforth merely as an organisation concerned with Indian government. It was abolished in 1858.

The East India Company was subject to much hostile criticism during the earlier part of its existence. It has already been shown that one of the primary aims of mercantilist theory was to regulate English trade in such a way that there would be a natural flow of bullion to this country; efforts were made, therefore, to secure a "favourable" balance of trade, i.e. an excess of exports over imports. But it was contended that East Indian trade did not conform to this ideal. There was little demand for English goods in the East; money had to be taken out of the country¹ to pay for the spices and other goods that were brought back. On behalf of the Company it was asserted that the country benefited by obtaining its spices at prices lower than those which would be charged by Venetian and Portuguese merchants, and also from the fact that the profits of the trade were retained by Englishmen. Further, a large part of the eastern produce brought to this country was re-exported, and in this way much more money was returned to England than was originally expended.² Another criticism of the Company's activities was to the effect that they were detrimental to the shipping interests of the country. England depended for defence upon the volume of her shipping, and the absence for many months of a number of large vessels was regarded as diminishing her reserve of naval strength. The Company asserted that, on the contrary, the development of its trade had encouraged the building of large ships, which were fit to undertake long voyages, and that a certain proportion of its fleet was always

¹ The Company was permitted to export silver, not exceeding £30,000 in value, for each voyage.

² In other words, an unfavourable balance of trade with India was the means of securing favourable balances with certain European countries.

in or near English ports. A third point of criticism was that the Company's trade was in no way beneficial to English industry, since English products were not in demand in the East; in order to meet this contention efforts were made by the Company, with some degree of success, to establish in various Asiatic countries markets for English goods.

Trade with the west coast of Africa was in the hands of the Royal African Company. Several attempts to establish companies¹ for this trade had been made in Elizabethan and early Stuart times, but it was not until the reign of Charles II that the Royal African Company was founded. Much of the trade of this organisation consisted of the supply of negro slaves to the sugar islands in the West Indies. The Company suffered severely from the competition of foreigners and of interlopers, and in 1750 it was replaced by a regulated company to which admission was to be had on such easy terms that the trade was practically thrown open. This Company was abolished in 1821.

The Hudson Bay Company was established in 1670, in the reign of Charles II, whose cousin, Prince Rupert, was interested in its foundation. It was granted a monopoly of trade in the lands around Hudson Bay. Certain English commodities were supplied to the Indians in exchange for furs, which the Company brought to England. Towards the end of the seventeenth century its territory was invaded by the French, who, however, by the Treaty of Utrecht were compelled to restore their conquests and to recognise the Company. The fur trade proved to be profitable, and the Company survived the criticisms which were levelled against it in common with other chartered companies. Although its monopoly was surrendered in 1869 it survives and carries on trade at the present day.

The South Sea Company was chartered in 1711, and it was

¹ The companies which, from time to time, were formed for the West African trade included the following:

- 1588. The Guinea Company, which traded in ivory and palm oil, and suffered from interlopers.
- 1618. A new company, which suffered from interlopers.
- 1631. Another new company, which also suffered from interlopers.
- 1662. A company formed for the purpose of exporting 3,000 slaves per annum to British colonies in America.
- 1672. The Royal African Company, whose privileges were cancelled at the the Revolution but were partially restored in 1698. The Company was not prosperous, its chief source of trouble being the activity of interlopers.
- 1750. A new company, formed to take over the property and liabilities of the Royal African Company.

granted a monopoly of trade with America south of the Orinoco. It was a joint-stock company which had been granted this privilege in return for loans to the Government. Certain additional rights were conceded to the Company by the Treaty of Utrecht, 1713. The Asiento, the right of supplying negro slaves to the number of 4,800 per annum to Spanish colonies, was granted to it for thirty years, and, in addition, it was permitted to send one ship of six hundred tons each year to Porto Bello for general trade. The profit from these concessions was less than had been anticipated, and the Company negotiated for an extension of its privileges. In return for a monopoly of all extra-European trade it offered to take over the National Debt and to become the sole creditor of the Government. The offer was accepted, and members of the public believed that the Company was about to make huge profits. Speculation followed, and many foolish people lost fortunes while many acute and unscrupulous persons grew rich. When the bubble collapsed the Company was restricted to its former field of activity, and, although in 1748 the period of the Asiento was extended, it was surrendered in 1750 in return for a payment by Spain of £100,000. The Company retained its original privileges until 1807.

During the seventeenth century the companies, as has been shown, held their own in the face of a considerable volume of criticism. It was felt that overseas trade demanded regulation and control. By the eighteenth century it was being recognised that the companies were failing to maintain regulation and to impose control. Their own officials grew wealthy through private trading while they neglected the interests of the corporations which employed them, and interlopers could no longer be kept out. The very need of control was being challenged; control of trade involved its limitation, and, rightly or wrongly, the nation preferred volume of trade. The development, in opposition to the tenets of Mercantilism, of the philosophy of *laissez-faire*, was fatal to the continuance of the privileges of the companies. A few, for special reasons, lingered on; in most cases trade was thrown open.

CHAPTER X

THE NAVIGATION SYSTEM

ONE of the aims of Mercantilism was the development of English shipping, in order that the naval strength of the country might be adequate for its defence. The enactment of a long series of Navigation Acts, in which many expedients were tried, testifies to the determination with which this aim was pursued.

The earliest Navigation Act was passed in 1381, in the reign of Richard II. It required that all imports and exports should be carried in English ships. The Act was certainly not enforced; it could not be enforced, since no sufficient supply of English ships was available, and in 1382 it was made lawful to use foreign ships if English vessels were not obtainable. The Act is important as the expression of an ideal towards which future generations might strive to move rather than as a rule to be put into effect at once.

In 1485 another act was passed, by which it was required that wines imported from Gascony should be carried in English ships, and three years later it was ordered that such ships were to be manned by Englishmen. These laws also were not rigidly enforced, though they were not so entirely disregarded as the Act of 1381 had been. Further enactments were made in 1532 and 1540, but for two reasons they were unsuccessful. Henry VIII was not unwilling to raise revenue by the grant of licences for non-compliance with the acts; also, the regulations were resented by the rulers of other countries, who adopted measures against English shipping. For this latter reason Elizabeth decided against the continuance of the policy embodied in the acts, and they were repealed in 1559.

But the spirit of the age favoured regulation, and the discontinuance of one policy was merely preliminary to the formulation of another. In 1559 it was ordered that higher customs duties should be paid on goods arriving in foreign ships than on those carried in English ships, and in 1563 the coasting trade was reserved for English vessels. The institution of "fish days" (days of abstention from eating meat) by Edward VI was continued in the reign of Elizabeth; it was hoped that deep-sea fisheries would be encouraged, since they provided excellent training for seamen. It is probable, however, that there was widespread evasion of the rules.

In the Stuart period further attempts were made to promote the use of English shipping. Proclamations on the subject were made from time to time, but evasion continued. With the development

of plantations attention was given to their trade. Only English ships might carry colonial goods, and it was ordered that colonial tobacco should be exported only to England.

Until the establishment of the Commonwealth the navigation policy of this country was uncertain and ineffective. Acts of Parliament were passed, proclamations were made, orders were issued by the Council; they were disregarded because they were impracticable, or they were evaded through the inability of the Government to enforce them, or the Crown itself rendered them ineffective by the practice of granting licences for exemption.

By a Navigation Act which was passed by the Rump in 1650 foreign ships were debarred from trading with English plantations without licence from the Council of State. This law was directed against the Dutch, and it was followed in 1651 by another Navigation Act of much wider application, which was re-enacted with modifications and extensions after the restoration of the monarchy in 1660. The principles laid down in these acts formed the basis of the navigation policy of this country until the abandonment of the system in the nineteenth century.

In the Navigation Act of 1651 a distinction was drawn, for commercial purposes, between Europe and the remoter continents. Rules were framed on the assumption that European countries, or some of them, were the trading rivals of England. Asia, Africa, and America were treated as regions from which certain necessary commodities might be obtained. The possibility of the existence of Asiatic, African, or American shipping (apart from that of European plantations), which might rival that of England, was hardly contemplated.

The Act ordered that goods from Asia, Africa, or America imported into England or Ireland or the plantations should be carried in English or plantation ships, which were defined as ships of which the owner, the master, and the most part of the mariners were men of England or the colonies. This rule was not framed to prevent the carriage of Chinese cargoes to England in Chinese ships; such a possibility was too remote to be even considered. It was designed to prevent English trade being carried in Dutch or other European vessels. It will be observed that Ireland was included in the Act, and that the protection and privilege afforded to English ships was extended to those of the colonies. Goods from European countries might be imported into England, Ireland, or the colonies in English ships or in those of the country from which the goods came, or, in certain cases, of the usual port of shipping. Thus, French goods might be carried in English

or French ships, Swedish products in English or Swedish ships. The intention of this, as of the preceding, clause was to limit the commercial opportunities of the Dutch, who enjoyed a good deal of the carrying trade of the seventeenth century. In order to encourage ships to undertake long voyages and to prevent evasion of the Act, it was further ordered that cargoes which were brought in English ships were to come direct from the country of origin or from the usual port of shipping, and were not to be transhipped at an intermediate port. Without this provision it would have been possible for the Dutch to bring oriental products in their own ships to their own ports and then to send them across the narrow seas to England; the whole purpose of the Act would have been nullified. Certain exceptions to this rule were sanctioned. Levantine and East Indian goods, even though they were not shipped from the immediate country of origin, might be imported if they were carried in English ships. Spanish and Portuguese colonial commodities might be brought from Spain or Portugal to England in English ships; this was necessitated by the refusal of these countries to permit their plantations to trade direct with foreign countries. Silks from Italy might be sent overland to Dutch ports for transport to England; this permitted the continuance of an already well-established channel of trade. The Act limited the import and export of whalebone, oil, cod, ling, herring, pilchard, and other salted fish to English vessels, thus dealing a blow at the Dutch fishing industry. Finally, foreign vessels were excluded from the English coasting trade.

To some extent the Navigation Act of 1651 was found to be unenforceable. Some of its provisions were modified, and its evasion by the Dutch, against whom it had been framed, was connived at during the war with Spain, in order that English commerce might evade Spanish attack by accepting the protection of a neutral flag. The provision that the "most part" of the mariners of an English ship should be English was indefinite and was very generally disregarded. The extent of these evasions, however, roused resentment, and when, in 1660, it became necessary to re-enact the law of 1651, an attempt was made to amend it in the light of the experience gained in its working.

The Navigation Act of 1660 contained several important new provisions.¹ A clearer definition of an English ship was formu-

¹ The Act of 1660 also contained a number of textual alterations consequential on the change of government, such as the substitution of "territories to His Majesty belonging," for "territories to this Commonwealth belonging."

lated; the owner, master, and three-fourths of the crew were to be English, and in certain cases it was required that ships should be English-built. Colonial exports, as well as imports, were to be carried in English or plantation ships,¹ and alien merchants and their agents were forbidden to reside in English plantations. Certain colonial products were enumerated, and these were to be exported from the colonies only to England, Ireland, or another plantation. The list comprised sugar, tobacco, cottonwool, indigo, ginger, and fustic² or other dyeing wood. Non-enumerated commodities might be sent, in English or colonial ships, to other countries.³

The rules relating to the importation of goods from Europe were amended. Certain enumerated commodities (masts, timber, salt, pitch, tar, resin, hemp, flax, raisins, figs, prunes, olive oil, corn and other grains, sugar, potash, wines, vinegar, and spirits) might be brought to England only in English ships, and this provision was applied to *all* commodities from Russia. Products of various parts of the Turkish Empire might be imported in English ships or in those of the country of origin, and in this case it was required that the vessels should be built in England or in the country to which they belonged, in addition to being owned and manned as defined elsewhere in the Act. Higher duties were to be paid on goods brought to England or Ireland in foreign ships than on those imported in English vessels.⁴ Oil, whalebone, blubber, and cod and other deep-sea fish which were caught in any foreign vessel were, upon being imported, to pay double aliens duty. This was devised as a further blow against the Dutch fishing industry, it being assumed that unless the fish were caught as well as imported by English ships the Dutch would have some sort of interest in the business.

The Act of 1660 laid down the principles on which the shipping of this country was regulated for nearly two centuries, but from time to time modifications and additions were made to this code of maritime law. Further changes in the enumerations were made from time to time. In 1662 it was ordered that ships, in order to be classed as English, must have been built in England or in one of the plantations as well as be owned and manned by the King's

¹ Hence no legitimate reason existed for the presence of any foreign ship in a colonial port, unless it was driven thither by stress of weather.

² Fustic is a kind of wood which yields a light yellow dye.

³ A later enactment limited this concession to the export of goods to countries south of Cape Finisterre.

⁴ This did not apply to Scottish goods carried in Scottish ships. In other respects Scotland was treated as a foreign country.

subjects. In 1664 colonies, which by the Act of 1660 had been permitted to import goods from Europe provided that English or plantation ships were used, were forbidden to receive European goods except from England, and in 1673 they were allowed to send enumerated commodities to one another only on payment of duty. In the eighteenth century many additions were made to the original list of enumerated colonial commodities, the most important of these additions being rice, molasses, and naval stores. But in the time of Walpole rice was partially freed from control, permission being accorded for its direct export to Mediterranean countries, and in 1739 sugar ceased to be enumerated. Ireland, which had been included in the Acts of 1651 and 1660, was not mentioned in the Act of 1663 relating to colonial trade, and in 1670 it was expressly cut out of the Act of 1660. In spite of a few minor concessions from time to time, Ireland did not recover equality of treatment until 1779.

The Navigation Act of 1660 treated Scotland as a foreign country, except that Scottish goods sent to England in Scottish ships were not liable to aliens duties. The Scottish Parliament passed a Navigation Act in 1661 which decreed that goods imported into Scotland should be carried in Scottish ships or ships of the country of origin, and that if they were carried in vessels of any other country, including England, double duties were to be paid unless Scottish ships were received on privileged terms in the ports of the country in question. Additional duties were imposed on imports from England in 1663. This policy was not successful in building up a Scottish mercantile marine; the Scots were the losers by it. After the union of 1707 the English navigation system was applied to the whole of Great Britain.

The object of the Navigation Acts was, in the words of the preamble of the Statute of 1660, "the increase of the shipping and the encouragement of the navigation of this nation, wherein . . . the wealth, safety and strength of this kingdom is so much concerned." It will be recognised that the aim thus stated was entirely in accord with the general principles of Mercantilism. The extent to which it was achieved by the Navigation Acts provides one of the most vigorously controverted questions of modern economic history.

The contention that the Navigation Acts succeeded in their main purpose rests on the undoubted fact that the volume of English tonnage increased in the latter part of the seventeenth century and throughout the eighteenth century, and that in the nineteenth century the British mercantile marine was easily the

foremost in the world. Since an argument of the nature of *post hoc ergo propter hoc* is always superficially attractive, it should for that very reason be received with caution, but it may be conceded at once that in this case it is so far plausible that the burden of disproving it rests upon its opponents. They are ready to take up the challenge, and they assert that the increase in shipping occurred in spite of and not on account of the Navigation Acts.

In the first place it is contended that the Dutch shipping supremacy of the seventeenth century was due to circumstances of a temporary nature and that it was unlikely to be permanent.¹ The energies of several of the nations of western Europe were, in the earlier part of the century, absorbed in the Thirty Years War, and the Dutch were able to avail themselves of their good fortune in being relieved of the competition of their neighbours. During the same period England was engaged in the constitutional struggle which culminated in the Great Rebellion and the overthrow of the monarchy. But Europe emerged, although exhausted, from the Thirty Years War, and England composed her internal troubles. France under Colbert and England under the later Stuarts and the Whigs turned to commercial expansion, and the Dutch were unable to retain the maritime lead they had gained.

The increase in English shipping during the period of the prevalence of the navigation system was, it is argued, a natural consequence of the increased volume of trade which was being undertaken, and especially of the export trade in corn, and it is worth observing that in other countries, notably in France, similar expansion of trade and tonnage took place without the assistance of Navigation Acts.

The navigation policy admittedly worked to the detriment of English trade in the Baltic. The Eastland Company's trade was carried on mainly in ships which were of foreign build, and after 1662 such vessels could not be used. But ships built in England were unsuitable for the special conditions of the Baltic trade, which passed into the hands of Swedes, Danes, and Dutch, and the prices of naval stores were advanced against this country. The actual working of the navigation policy with regard to the Baltic trade, therefore, proved to be detrimental to England and advantageous to her competitors.

In general, it is contended by the critics of the system that the policy embodied in the Navigation Acts forced up freights on

¹ The Dutch, despite their strenuous efforts, were beaten by the English in the three Anglo-Dutch wars of the period 1652-74. The English naval strength of the time could hardly be attributed to the Navigation Acts.

account of the scarcity of English shipping. This caused an advance in the cost of raw materials imported for use in English industries; this in its turn made English manufactured goods dearer in foreign markets and so limited their sale. Though English commerce progressed during the prevalence of the Acts it is asserted that the advance was less than would have been made if shipping had been unfettered.

The effect of the navigation policy on the colonies must be considered. Colonies in the seventeenth century were regarded by the people of England not as places in which new nations were developing but as outposts of the mother-country, and they were valued because they produced various important articles which England, for climatic and other reasons, could not produce for herself, and because, as they developed, they provided markets for the home country's manufactures. It was thought to be right that their trade should be under English regulation, and the system of control of enumerated commodities was, as stated above, established by the Act of 1660. The mother-country thought it was reasonable that she should enjoy privileges in connection with colonial trade, in view of the fact that she had been put to the expense of founding the colonies and was still responsible for their defence. English merchants profited by the purchase of colonial produce and its re-sale to foreign countries which required it but were not allowed to buy it direct. And the system was not without its advantages to the settlers. The control exercised by England was by no means so complete as that established by Spain and Portugal over their colonies. Many important commodities, such as grain and timber, and, after 1739, even sugar, were non-enumerated. Enumerated colonial produce when sent to England enjoyed the advantage of preferential tariffs as compared with goods from foreign countries. In some directions, notably in the growth of tobacco, the colonies were even protected from English competition. Above all, though the colonial merchant was subject to control in the trade in enumerated commodities he was at least sure of his market and of receiving a fair price—factors which were regarded as of primary importance in seventeenth-century trade.

While the plantations were small this "Old Colonial System" worked well, and if the settlers felt no great love for their mother-country there was, on the other hand, no great dissatisfaction. During the period of Whig rule in the first half of the eighteenth century smuggling in and out of the colonies occurred, and the law was not energetically enforced.

In 1764 Grenville issued instructions for the more rigid application of the provisions of the Navigation Acts relating to colonial trade. His action was deeply resented, and, though the taxation question provided a more spectacular pretext for the quarrel which developed between the American colonies and Great Britain, there is no doubt that the revival of trading rules which were regarded as being in a fair way to becoming obsolete accounted for much of the dissatisfaction of the colonists.

The success of the American revolt proved the futility of the Old Colonial System. By this time the very foundations of mercantilist philosophy were being questioned, and there was a growing disbelief in the efficacy of the whole fabric of regulation. The policy of the Navigation Acts was not relaxed at once, but within the next few years several minor modifications were sanctioned. The rule that goods from Asia, Africa, or America should be imported only in British or colonial ships prevented American goods coming to Great Britain except in British ships. In 1796 American ships were permitted to visit English ports on conditions similar to those applicable to European ships. This was, perhaps, not so much a modification of the original rule as its adaptation to the new conditions arising from the independence of the United States; as pointed out above, the possibility of import from Asia, Africa, or America in ships of the producing country (other than from European plantations) was not contemplated when the Navigation Act was framed. But the relaxation by which ships of the United States were permitted to trade with the West Indies in 1796 and with Canada in 1808 was a breach in the Old Colonial System. Further modification was sanctioned in the case of Brazil, to which the Portuguese royal family fled on the outbreak of the Peninsular War in 1808; trade between Great Britain and Brazil might be carried in either British or Brazilian ships.

In 1820 a petition from the City of London in favour of the abolition of restrictions on trade was considered by a Committee of the House of Commons, and as a result substantial changes were made in the Old Colonial System in 1822, though, for the time, the navigation system, as distinct from the Old Colonial System, was left substantially untouched. The enumeration of colonial goods was entirely discontinued. All colonial products could henceforth be sent to any foreign country, but it was still essential that they should be carried in British or colonial ships, or, in the case of the United States, in American ships, as sanctioned in 1796. The republics of Central and South America, recently

revolted from Spanish rule, and about this time recognised as independent, were permitted to use their own ships in their trade with Great Britain. The special restrictions imposed in 1660 upon trade with certain European countries were removed, but the enumeration of European goods was retained.

By this time it was becoming widely recognised that the navigation system had outlived any usefulness it had ever possessed. Its continuance caused a good deal of irritation in foreign countries, and in some cases retaliatory measures were considered. In 1823 the Government was, by the Reciprocity of Duties Act, empowered to conclude reciprocity treaties by which concessions might be offered to foreign shipping in British ports in return for privileges to British ships in foreign ports, and during the next few years such treaties were made with most of the countries which possessed a mercantile marine.

The Navigation Acts thus became moribund, since they ceased to apply to a large part of foreign shipping. An attempt to revive them in 1845 under the pretext of codification was followed by vigorous protest from the colonies. The United States were building up a large mercantile marine, and it was contended by Canadians that the continuance of the system worked to their detriment in competition with the United States. From the West Indies, too, came the complaint that freights were higher than would be charged if competition in shipping were unrestricted. These protests did not pass unheeded. Free trade principles were in the ascendant. In 1849 the Navigation Acts, except for the clause relating to the coasting trade, were repealed. In 1854 the coasting trade was thrown open, and the last trace of this great maritime code disappeared from the statute book.

CHAPTER XI

THE REGULATION OF INDUSTRY BY THE STATE

THE regulation of industry in the later Middle Ages was in the hands of the craft guilds, which to a greater or less degree were themselves subject to the authority of the town in which they existed. This local control of industry was natural, and, indeed, inevitable, in a time when every locality was in most respects sufficient unto itself, communication was difficult, and men from other towns were viewed with suspicion and treated as "foreigners." It has already been observed that there was little national feeling in the Middle Ages, but towards the close of that period some consciousness of English nationality began to develop. This was reflected in several ways, and not least in the control of industry.

In general, the gild regulation of industry had sufficed for medieval needs, but in the sixteenth century the guilds fell upon evil days, and, as has already been pointed out, the control of industry slipped from their grasp. Their narrow monopolistic policy caused industry to depart from the chartered towns, many of which declined in population and importance. Many craftsmen established themselves in newer towns which were free from gild authority, while others settled in villages. Such men were subject to no sort of control, there was no guarantee that they had received adequate training in the crafts they practised, and it was contended that their products were of inferior quality. Such a state of affairs could not be permitted to continue unchecked. The time was still distant when a policy of *laissez-faire* towards industry could be even contemplated. Control and supervision must be exercised, and the central government took up the task which local authorities were no longer able to perform.

The Tudor monarchy was for several reasons much stronger than that of the Plantagenets. It is unnecessary to do more than barely refer to the causes of its strength. The Crown in the Middle Ages had to hold its own against other forces, those of the baronage and the Church. The power of the nobles was shattered in the Wars of the Roses; their number was reduced, and in course of time a new nobility, which owed its existence to the Crown and was subservient to it, came into existence. The Church, also, when the breach with Rome occurred, lost much of its independence and some of its wealth. With the reduction of the power of the lords spiritual and temporal the Crown was left supreme.

Parliament was not yet strong enough to challenge the authority of the Crown, and, during the Tudor period, showed little desire to do so. It met from time to time, when summoned, and it was usually ready to pass into law such measures as were proposed to it by the Crown. The body which really carried on the government of the country, under the Crown, was the Council, a small group of nobles and leading officials. The work of enforcing the orders of the Council was entrusted to the Justices of the Peace. The regulation of industry was one of the matters which, from time to time, received the serious consideration of the Council.

Some limited degree of State supervision and control of industry had existed even in the Middle Ages. In France and the Holy Roman Empire every petty princeling or great noble coined the money of his province, but in England, after the Norman Conquest, the minting of money was monopolised by the Crown. The technique of coining did not reach a very high standard, and the coins were clipped and sweated by unscrupulous people. But the Crown did its best to put down such practices and to maintain the standard of the coinage. Uniformity of weights and measures was required by royal ordinance at least as early as the reign of Richard I, but it was not found easy of enforcement.

As far back as 1351 an attempt had been made to regulate wages. The Statute of Labourers of that year had directed that wages should remain at the level which was prevalent before the Black Death. The inadequacy of this law to meet the conditions which prevailed during the next generation is proved by the passing of a number of amending and supplementary acts, and the effort to stabilise wages at one level for all time was abandoned. In 1388 Justices of the Peace were given authority to fix rates of wages in their own districts; that wages continued to rise seems to be proved from the requirement, in 1444, that they should not exceed twice the level authorised in 1388. In 1495 a futile attempt was made to reimpose the rates established in 1444—futile, because the Act was repealed in the following year. Another act, passed in 1514, also proved ineffective, and by the middle of the Tudor period wages had ceased to be subject to any real regulation.

In the earlier part of the sixteenth century a series of laws was passed to deal with particular industries. It was hoped that the decay of corporate towns would be arrested by the imposition of restrictions and prohibitions of industry in other places. The common characteristic of these laws was their entire ineffectiveness, and they offer a striking example of the difficulty of enforcing laws which attempt to oppose economic tendencies.

A further group of laws of this period dealt with the authority of the gilds. The jurisdiction of these organisations was even extended, but at the price of surrendering such independence as they had hitherto enjoyed. As early as 1437 a statute was passed requiring craft gilds to refer their ordinances for approval to Justices of the Peace in counties or to the civic authorities in towns.¹ In 1504 they were directed to submit their rules for approval to the judges, who were empowered to annul any to which they objected. The policy of the gilds henceforth had necessarily to be such as would meet with the approval of the central government. Their authority was in some cases extended over adjacent villages and over craftsmen who had hitherto evaded their control. But the gilds were a declining force, and even the backing of the central government was insufficient to revitalise them. The control of industry could not be carried on effectively by them, and by the beginning of the reign of Elizabeth the problem was as far as ever from solution.

The need for its solution was, however, pressing. Prices rose substantially in the middle of the Tudor period, and it was, perhaps, the necessity of providing for the adjustment of wages to meet the rising price levels which was the immediate cause of the enactment of the Statute of Artificers.

This important law (sometimes called the Statute of Apprentices) was passed in 1563. The aim of its framers was to check the decline of corporate towns, to provide for the efficient training of village artisans, to ensure a sufficiency of agricultural labourers, to regularise rates of wages, and, generally, to set up a complete industrial code to meet the needs and ideas of the time. Many of its principles were not new. It included a re-enactment of certain laws, and it gave statutory authority to some features of industrial life which had hitherto lacked it; moreover, it established machinery for the enforcement of the law. Thirty-four earlier laws were repealed so far as they dealt with the wages and hiring of workmen and servants, and their provisions were replaced by those of the new Statute.

It was enacted that all able-bodied persons between the ages of twelve and sixty who were not engaged in one of a list of exempted occupations should be liable to agricultural labour, unless they possessed a certain amount of property. The purpose of this rule

¹ As pointed out already, the Statute of 1437 appears to have been directed against those gilds which had obtained royal charters and so claimed exemption from municipal control. The effect of the law was to reassert the right of the authorities of the towns to exercise supervision over such gilds.

may have been to ensure an adequate supply of such labour, and the fact that the exemption of artisans did not hold good in harvest time lends support to this view. But there is no ground for supposing that there was any pronounced shortage of agricultural labour at this time, and it is possible that the regulation was also intended to deprive vagabonds of the excuse that they were of "no occupation"; every man who had no other occupation was assumed to be able to engage in agriculture, which was still the main industry of the country.

The Statute sought to ensure continuity of employment by ordering that hirings, for agriculture or for any other occupation, should be for not less than a year. Three months' notice was to be given of an intention to terminate an engagement, and employers were forbidden to accept any man who could not produce a certificate that he had fulfilled his obligations towards his previous master.

In order that workmen might be properly trained for their work, apprenticeship was made compulsory in all occupations and in all parts of the country, so that a custom which had been enforced hitherto only by the guilds and in the corporate towns was applied throughout the whole range of industry. The period of apprenticeship was fixed at seven years;¹ the London custom was thus made universal—in provincial towns in which shorter periods of training had been common, and in villages in which no system of apprenticeship at all had existed. It was recognised, further, that the youth who had just completed his apprenticeship had not necessarily acquired sufficient experience to justify him in setting up as a master-craftsman and a householder; he might not take this step until he was twenty-four years old.

Choice of occupation was to some extent limited. Certain occupations were reserved for youths who belonged to families of some degree of wealth or position. Only the sons of men who held land of the annual value of forty shillings were eligible for apprenticeship in a corporate town to the crafts of merchant, mercer, draper, goldsmith, ironmonger, or clothier, while elsewhere than in a corporate town the qualification was the possession, by the father of the apprentice, of land to the annual value of sixty shillings. Occupations of a rougher type, such as those of bricklayer, plasterer, wheelwright, and smith, besides agricultural work, were open to boys of humbler extraction.²

¹ No one could be bound apprentice if he was over twenty-one years of age.

² It was afterwards ruled that the requirement of apprenticeship applied only to industries already in existence in 1563; there is no reason to think that this limitation was intended by the framers of the Statute.

In order that properly trained journeymen might have reasonable opportunities of securing employment it was ordered that a ratio should be observed between the number of apprentices and that of journeymen in the service of any one master. Every master who had three apprentices was to employ at least one journeyman, with an additional journeyman for each additional apprentice. This restriction, however, was applied only in certain trades, chiefly those connected with the cloth industry.

An important feature of the Statute of Artificers was concerned with the assessment of wages.¹ This duty was assigned to the Justices of the Peace, who, in every county and town, were required to meet annually, at Easter, to fix rates of wages which should be obligatory upon masters and men alike.² It is probable that, when the system was in working order, the previous year's schedule was taken as the basis for consideration, and, with or without amendments, was adopted for another year. Frequently, indeed, the wage schedule was renewed year after year without change. It has been suggested that Justices of the Peace belonged to a class which would be more in sympathy with employers than with their men, and that the system of wage-assessment tended to depress wages. But there is no evidence that the Justices were deliberately unfair; there seems to have been little or no complaint from the working classes of unjust treatment, and when the practice of assessing wages fell into disuse petitions were offered to Parliament for its revival. Nor were wages fixed on the basis of bare subsistence. Work was to be carried on for twelve hours per day in summer; in winter it was limited to the hours of daylight.³ Wages, therefore, were lower in winter than in summer. But they must have been sufficient for subsistence in winter; in summer, when the cost of living was less and wages were higher, there must have been some surplus over the bare cost of living.

This great Statute, which embodied in one enactment the experience gained from the success or failure of many earlier attempts at industrial regulation, was a marked success. If a uniform standard of training was not achieved all over the country, improvement was nevertheless effected, and a sound foundation

¹ It cannot be regarded as conclusively established that wage-assessments were made everywhere and everywhere enforced.

² The penalty for paying wages above the schedule was a fine of five pounds, with ten days' imprisonment; for receiving them, twenty-one days' imprisonment.

³ The working day from March to September was to be between five o'clock in the morning and eight o'clock in the evening. Two and a half hours were allowed for meals.

was laid for the skill for which British workmen have been famed ever since. The assessment of wages was carried out regularly after the passing of the Act and during the seventeenth century. With the prevalence of *laissez-faire* philosophy in the eighteenth century the practice fell into disuse, and, indeed, it was becoming difficult to draw up wage schedules which would correspond with the increasing complexity of industry and the growing division of labour. By the middle of the eighteenth century wage-assessment was a thing of the past. From time to time factory workers, suffering from low wages and from the competition of parish apprentices, appealed to Parliament for the revival of the law relating to the assessment of wages and the employment of journeymen to correspond with the number of apprentices taken. The reply of Parliament was to repeal, in 1813, the provisions of the Statute relating to wage-assessment, and, in 1814, the requirement of apprenticeship.

CHAPTER XII

NATIONAL FINANCE BEFORE THE REVOLUTION OF 1688-9

THE inclusion of an account of national finance in a book which is concerned with the economic history of England may appear to require explanation. The association of this topic with the economic as well as the political history of the country will be recognised as appropriate if it be remembered that national finance is concerned with that part of the national income which is assigned to, or is taken by, the Government for national purposes. In primitive communities the chief receives a share of the cattle or of the produce or of the spoil taken in fighting; in a state sufficiently civilised to be familiar with the use of money the income of its head takes the form of money. Even if only one man, the King, is occupied with the work of governing, he must be maintained. And the more complex the work of government is, the more expensive it must be.

Men may be called upon to contribute in various ways to the income of the Government, and taxation may be direct or indirect.¹ It is important to observe the principles which have been followed from time to time in the levying of taxes, the effects of different types of taxation upon the economic activity of the people, and the extent to which the State has succeeded in obtaining what it needs with the minimum of disturbance to the well-being of the people.

During the Norman period the most important source of the royal income consisted of the "ancient hereditary revenues of the Crown," and these arose from the position of the King as the chief landowner of the country.² The Crown owned some 1,600 manors, and the produce raised on the demesne lands of these estates went, in money or in kind, to the King. From an early date it was part of the duty of the bailiff of a royal manor to send the produce of the demesne to market and to remit the money to the King. In addition, the King was the feudal overlord of the landowners, and as such he received sundry payments and profits known as feudal incidents. With these may be associated scutage, which developed in the twelfth century as a money payment from

¹ Such imposts are sometimes established from other motives than that of the raising of revenue.

² The extent of the Crown lands was constantly being augmented by forfeitures and escheats and as frequently being diminished by grants.

landowners to the Crown in lieu of the military service to which they were liable.

The Crown profited also by the rights of purveyance, by which the officials of the Court were entitled to seize goods for its use whenever it moved through the country; of pre-emption, the right of compulsory purchase of commodities; of prisage,¹ the right of seizing with or without payment goods entering the country, and of wainage, the right to the use of wagon and horse for the King's service.

The chief direct tax was the ancient Danegeld, which continued to be levied, and became in course of time an ordinary land-tax. It was in some ways an unsatisfactory form of taxation, since some estates escaped payment and others were under-assessed. It was abandoned by Henry II, and in its place a new form of land-tax, the *donum*, was levied on the shires, together with an *auxilium* from the towns. Before the end of the twelfth century the *donum* gave place to the *carucage*, which was a tax on the *carucate*, a unit of one hundred acres, while the *auxilium* became known as a *tallage*. The earliest example of the taxation of movable property was the *Saladin tithe*, in 1188, which was assessed on money, goods, farm produce, and stock-in-trade.

The actual collection of these various forms of revenue in each county was in the hands of the sheriff. Certain items of revenue were farmed; the amount which was expected from the county was fixed and was known as the *ferm* of the shire, and it was the duty of the sheriff to pay it into the Exchequer at Westminster (payment being made twice each year). The system by which the sheriff was required to pay a fixed amount and was left to collect whatever he could was open to obvious objections, and it is not remarkable that one of the privileges sought by a town when it negotiated with the Crown for the grant of a charter was the right of separate assessment—the *ferm* of the borough—whereby it might escape the sheriff's exactions. In the case of some other items of revenue the sheriff was expected to pay to the Exchequer the actual receipts.

From this account of national finance in Norman and early Angevin times it may be inferred that the royal revenue came from two sources—the King's own property, and the property of other people. It was assumed that the King ought, as far as possible, to subsist on his own revenues,² and that he should have recourse

¹ Prisage became standardised as the right of the Crown to one tun of wine before the mast and one tun aft from every cargo of more than twenty tuns.

² "The King should live of his own."

to taxation only when his private revenues proved to be insufficient. There was a definite feeling that, if taxation was to be levied, the consent of at least the more important of those who were to be taxed should be obtained. This feeling found expression in the provision of Magna Carta that "... no scutage or aid should be imposed . . . except by the consent of the Commune Concilium. . . ." In course of time, with the establishment of Parliament, it was recognised that taxation ought not to be levied without its consent.¹

In the later Middle Ages the taxation of movable property took the form of tenths and fifteenths. A tenth was levied on the annual value of movable property in towns and a fifteenth on that in counties. Difficulties of assessment were overcome by treating that made in 1332 as permanent. The sum raised by a tenth and a fifteenth, therefore, became fixed; it amounted to about £39,000. It was usual for a grant to consist of two tenths and two fifteenths. Exemptions and abatements were sometimes granted on account of the decline in the wealth and importance of a town, and, as these were not balanced by corresponding increases elsewhere, the yield of the tax gradually diminished and its incidence became increasingly unequal. To make up for the smaller yield it became common for Parliament to grant, with the two tenths and two fifteenths, a subsidy of four shillings in the pound on the annual value of land and of two shillings and eightpence in the pound on that of movables. The tax was not levied on the movables of those who paid on land. At first the yield of a subsidy was about £100,000, but assessment became formal in course of time, and by the end of the Tudor period the amount received from the impost was no more than £80,000. The levying of subsidies was continued during the earlier part of the Stuart period, but not during the Commonwealth, and though it was revived at the Restoration it was finally abandoned in 1663.

Another form of direct taxation which was attempted in the later Middle Ages was the poll-tax. In 1377 a poll-tax of fourpence (a groat) in the pound was levied on every person over sixteen; it was widely evaded and the yield was small. Two years later a graduated poll-tax was imposed, but its complexity facilitated evasion. In 1380 another poll-tax, more simply graded, was levied. Each parish was to raise an amount equal to one shilling (three groats) per head of its adult population, but within the parish collection was to be graduated according to the

¹ Consideration of the constitutional importance of this principle is beyond the scope of this chapter.

means of the inhabitants. The imposition of these poll-taxes was resented, and the discontent caused by that of 1380 contributed to the Peasant Revolt. The lack of success attendant upon poll-taxes caused their abandonment. No further general tax of this kind was levied until 1513, although poll-taxes on aliens were occasionally collected during the fifteenth century. Some attempts were made to revive poll-taxes during the seventeenth century, the last occasion being in 1698.

The expansion of trade in the later Middle Ages made possible the imposition of indirect taxation. "Ancient Customs" are referred to in Magna Carta, but this term was commonly applied to the duties on wool, woolfells, hides and leather, which date from 1275. These amounted to half a mark on each sack of wool and a mark on each "last" of hides.¹ Further indirect taxes appeared in 1303. The Carta Mercatoria of that year permitted alien merchants to visit England to trade and exempted them from other dues and from prisage in return for payment of import and export duties on a new scale. These were in excess of those levied on English merchants and were known as *Nova Custuma*,² while those established in 1275 were styled *Magna et Antiqua Custuma*.

Tonnage and poundage appeared during the fourteenth century. Tonnage was a duty of two shillings per tun on imported wine, and it was levied in place of the ancient royal right of prisage. Poundage was an *ad valorem* duty of threepence (afterwards sixpence) in the pound on all goods other than those subject to new customs or to tonnage. During the fourteenth century tonnage and poundage and the duties on wool formed an important feature of the royal revenue. After 1373 tonnage and poundage became the subject of Parliamentary grant. From the time of Richard II it was usual for Parliament to grant tonnage and poundage to the Crown for life, and from the reign of Edward IV the grant was made at the beginning of each reign. The usage thus established was not broken until 1625, when it was proposed to grant tonnage and poundage to Charles I for one year only. At this time the impost was levied at the rate of three shillings per tun and one shilling per pound.

In the Tudor period and the early part of the Stuart period the receipts from the Crown lands and from the feudal incidents (of which, by this time, wardship and marriage were the most profit-

¹ A last was twelve dozen.

² The *additional* levy was two shillings per tun on wine, forty pence on each sack of wool, and half a mark on each last of hides.

able), together with the revenue from the direct and indirect taxes already referred to (tenths and fifteenths, subsidies, customs duties, and tunnage and poundage), still formed the basis of the income of the Crown. After the separation of the Church of England from that of Rome the Crown enjoyed sundry ecclesiastical revenues¹ which had formerly been sent to the pope. The fines imposed upon delinquents by the prerogative courts (the Star Chamber, the Council of the North, and the High Commission) established in the Tudor period passed to the Crown, but there is reason to believe that heavy fines were not infrequently remitted, in whole or in part, and in any case the gains of the Crown from this source were not large. Additional import duties known as impositions were established as early as 1491. They varied from time to time and were ostensibly imposed for the regulation of trade rather than for the raising of revenue. But substantial sums were realised by Elizabeth and her successors from the sale of monopolies, patents, and licences.

The Crown sometimes had recourse to loans and benevolences. The latter were nominally free gifts made by the subject to his sovereign to relieve the latter's necessities. In some cases a good deal of direct and indirect pressure was applied; in other cases the payment was made readily, perhaps in the expectation of some reward being received in the form of a title or other honour from the Crown. The levying of benevolences was quite as unpopular with supporters of the Crown as with its opponents; the benevolence was rather more burdensome to the former than to the latter, since the adherents of the monarchy were expected to set an example to the nation in contributing promptly and liberally. Benevolences were first called for in the time of Edward IV. They were declared illegal in the reign of Richard III, but they were revived by Henry VII. They are met with occasionally in the Tudor period, and James I attempted to collect benevolences in 1614, in 1620, and again in 1622. Charles I also tried to obtain benevolences, but he met with little success, and this method of raising money was not again resorted to after his time.

Loans were occasionally raised, even in the Middle Ages. Henry VIII borrowed money, and twice, in 1529 and 1544, Parliament cancelled his debts. Elizabeth was reluctant to increase taxation, and sometimes borrowed money. She made definite efforts to pay off her debts, though this was not always accomplished

¹ These ecclesiastical revenues were surrendered by Queen Anne to form a fund known as Queen Anne's Bounty, the income from which was applied to the augmentation of poor livings.

punctually. The early Stuarts also frequently attempted to raise money by borrowing.

It is pointed out in another chapter that the general range of prices was steadily advancing during the latter part of the Tudor period and the earlier part of the Stuart period. The kings of England felt the effects of this rise in prices. The expenses of government were constantly increasing, but to a considerable extent the royal revenue was derived from sources which were incapable of being increased, or which expanded more slowly than expenditure. It became increasingly difficult for the Crown to meet its ordinary obligations, and this accounts for the frequency with which it borrowed money. Elizabeth avoided serious financial trouble by the exercise of parsimony. James I and Charles I were unable to keep their expenditure down to the level of their incomes, and they were regarded as extravagant. The charge was truer of James than of Charles, but the real cause of their financial difficulties was to be found less in their extravagance than in the rise in prices which was going on. The constitutional principle that the King should live of his own still held good, and applications to Parliament for additional grants of money for the ordinary work of government were received with resentment. The financial difficulties of the Crown thus afforded opportunities to its opponents to attack it, and one of the questions at issue in the constitutional struggle of the period was the control of national finance.

It is unnecessary to detail the financial expedients which were resorted to during the Great Rebellion, but the institution of the excise by the Long Parliament in 1643 must be mentioned. It was imposed on goods produced within the country, differing in this respect from customs, which were levied on imports. From the first it was unpopular, and in 1649 certain commodities were exempted from it; some other articles, however, which were imported, were at the same time made subject to excise, although customs had already been paid on them.

Upon the restoration of the monarchy in 1660 an attempt was made to put the finance of the nation upon a more business-like footing. A kind of budget for the reign was framed. It was estimated that the sum of £1,200,000 per annum would be sufficient to meet the ordinary expenses of the Crown,¹ and sources of revenue were sanctioned which, it was expected, would provide that sum. The Crown lands were restored to the King, but the

¹ As in earlier times, it was assumed that application would be made to Parliament for extraordinary grants in the event of war.

feudal dues were abandoned. The excise which had been established by the rebels was retained; it was voted to the Crown not merely for life but as a hereditary revenue. Tonnage and poundage were granted for life, and in 1662 a hearth-tax of two shillings was levied in respect of each hearth in a house; cottages were exempt from it. The royal revenue failed to reach the estimated amount; it did not yield quite a million a year.

Restoration finance was thus faulty in that its estimates of income were wide of the mark. It was open to criticism in another direction. The discontinuance of the feudal incidents relieved landowners, as a class, of obligations which had been associated with land for centuries past, while the retention of the excise bore with especial weight upon the lower classes. The wealthy were thus relieved at the expense of the poor, though it is unnecessary to assume that this consideration was the determining factor in making the change.

Charles II never permitted financial difficulties to worry him unduly. In addition to occasional special grants from Parliament Charles received from time to time large sums from his cousin, Louis XIV. He borrowed money for current expenses from the goldsmiths of London, who during the century had built up the business of banking, and his action in 1672 in stopping payments to the goldsmiths out of the Exchequer precipitated a financial crisis.

The finances of the reign of James II call for little comment. A loyal Parliament at the beginning of the reign fixed the royal income at £1,900,000 per annum, a sum so large that James had no need to imitate his brother in applying to Parliament or to the French king for financial assistance. His reign lasted less than four years, and after his flight to France in 1688 and the enthronement of William III the whole basis of national finance was reorganised.

CHAPTER XIII

THE AGRARIAN REVOLUTION IN THE EIGHTEENTH CENTURY

IN an earlier chapter it was shown that in the course of the agricultural revolution of the sixteenth century a considerable amount of enclosure took place and the whole outlook of rural society was changed. The cultivation of the soil for subsistence gave place to the raising of produce for gain. In the latter part of the eighteenth century another agrarian revolution occurred, in which the remaining open fields disappeared, a more extended rotation of crops replaced the three-field system, scientific methods were applied to agriculture, and large farms superseded small holdings.

Before the agrarian revolution of the eighteenth century is described it is desirable to give a brief account of the condition of English agriculture in the period between these two movements—in the century and a half between 1600 and 1750. The seventeenth century is sometimes regarded as a period of stagnation in rural affairs. The nation found outlets for its energy in other directions. Men's thoughts were concentrated on the religious and constitutional struggle which was the dominant feature of the Stuart period. Overseas expansion was taking place, and foreign trade was being developed.

The pace of agricultural progress was certainly slackened, but it did not cease entirely. Enclosures continued, sometimes for the purpose of improved husbandry, more frequently for pasture. The early Stuarts opposed the tendency to enclosures with as much vigour as, and, perhaps, with greater success than, the Tudors, but later in the century the attitude of the State towards the movement changed. It was recognised that open-field tillage was old-fashioned, wasteful, and unprofitable, and that land was being put to better use when it was enclosed and produced corn and wool and mutton. The old objections—that pasture farming led to depopulation, destitution, and possible famine—lost a good deal of their force. Corn was being produced in quantities more than sufficient for national needs, and there was a surplus available for export. The expansion of the textile industry provided occupation for many people, while others found employment in directions that had not been opened up in an earlier age. The older opposition to enclosures was a survival of medievalism; with the triumph of progressive ideas it died away. A certain amount

of enclosure and consolidation occurred in the latter part of the seventeenth century and in the first half of the eighteenth century, though the movement did not reach its climax till the reign of George III.

Progress was made in the seventeenth century in another way. In some parts of the country there were large areas of moorland, forest, marsh, and fen which were uncultivated and almost uninhabited. Much of this "wilderness" was reclaimed in the seventeenth century. The draining of the Fens was undertaken by the Earl of Bedford, who expended a large sum of money on work carried out by Dutch engineers and workmen in the teeth of the opposition of the fenmen. A region that was water-logged and almost useless was thus converted into valuable corn- and pasture-land. Moorland in the Pennine region was enclosed and brought under cultivation, and further land became available through disafforestation.

The period was not barren of improvement in agricultural methods. It is usual to give to the great agriculturists of the eighteenth century credit for the changes which were made in this direction, but here and there in the seventeenth century efforts were made to develop the scientific side of agriculture. Under the open-field system improvement was wellnigh impossible; only on the large enclosed farms held by leasehold tenants could experiments be attempted. Some attention was paid by energetic men to the scientific breeding of farm stock. The drainage of arable fields was attempted by Blith, and efforts were made to increase fertility by manuring. Turnips and other root-crops were introduced, though their use was not widespread until the eighteenth century. Potatoes, hops, and clover made their appearance on up-to-date farms.

A brief description of English rural economy immediately before the agrarian revolution will not be out of place. By the year 1750 the open-field system still existed in about half the manors in the country. In these places cultivation was carried on by the custom of the manor, in accordance with a simple rotation of crops which had not varied for hundreds of years; from this custom no man would think of departing. Some of those who possessed strips in the open fields were freeholders. Others were copyholders; they were descendants of medieval serfs who had been forced to work for the lord of the manor, and though this obligation had long ceased the copyholders still paid to the lord of the manor a quit-rent which replaced compulsory labour. The position of a copyholder, unlike that of his servile

predecessor, was by this time secure; his "copy" of an entry in a manorial roll was recognised by the courts as the equivalent of a title-deed, and in the unlikely event of an attempt being made to eject him he could bring an action for trespass against the aggressor. Yet other cultivators were leaseholders¹ who paid an ordinary rent for their land, but it was rare for them to hold strips in the open fields. They were to be found in villages in which the open-field system had passed away, and they held farms that were consolidated and enclosed and that were divisions of great estates. Enclosed leasehold farms existed in the open-field villages also; they comprised what was in medieval times the lord's demesne. The force of custom was much less on enclosed farms; as stated above, improvements in agricultural methods were sometimes attempted upon them, though in this respect some parts of the country were much more advanced than others. In every manor in which the old system survived there was a considerable stretch of common pasture on which the peasants were entitled by custom to graze their cattle and sheep, and a few acres of woodland on which fuel could be obtained and timber cut. Though the country folk could show no legal right to these privileges they had existed from time immemorial, and nobody thought of challenging them.

The peasantry in the countryside were not badly off, though such modest prosperity as they enjoyed was not entirely due to agriculture. The produce of twenty or thirty acres of land, cultivated under an antiquated system, was inadequate to keep a

¹ The stages in the advance of leasehold tenures may be briefly recalled:

(a) Stock-and-land lease of the manorial demesne.

(b) Ordinary lease of the manorial demesne.

(c) Ordinary lease of parts of the manorial demesne.

(d) Some enclosure of open fields for tillage in the fifteenth and sixteenth centuries. Some leasehold farms formed; though many holdings remained copyhold.

(e) In some cases the surrender of "copies" and the acceptance of leases brought further leaseholds into existence.

(f) The reversion from pasture to arable in the latter part of the Tudor period was not accompanied by the restoration of open-field cultivation. Such land was divided into leasehold farms.

(g) Continuation of enclosure for tillage, and establishment of leasehold farms, in the seventeenth century.

(h) Extension of the cultivated area, by the drainage of the Fens and the reclamation of moorland, in the seventeenth century. Such land was divided into leasehold farms.

(i) Enclosure and consolidation of the remaining open fields in the eighteenth and nineteenth centuries. Formation of large estates divided into leasehold farms.

family in comfort, in spite of the fact that the cottage occupied by the peasant was his own property or was let to him at a nominal rent. He was saved from destitution by the possession of a second source of income. He devoted part of his time to weaving the yarn which was spun by his wife and daughters. If his crops were poor he could fall back on his weaving; if the textile industry was slack the produce of his strips enabled him to hold on. He was not seriously troubled by the approach of old age and, unlike a workman of the present day, he had no reason to fear occasional spells of unemployment. Even the death of the father did not leave the family destitute. All the members toiled in the fields, and all took some part in textile work.

The open-field system of cultivation could not be commended. It was wasteful of land, for in any one year one of the three fields was out of cultivation, and of time, for a man's holding was scattered, and he had to walk considerable distances to reach the remoter strips. The necessity of conforming to the custom of the village in cultivation made experiment in agricultural methods impossible. The most industrious cultivators were at the mercy of the idlest; the weeds which grew on the land of the latter would spread to that of the former. The system had served the country well, but it had existed for hundreds of years, and where it remained no improvement was possible. Such changes as had been made in agricultural methods from time to time had been applied only on enclosed farms.

Further change was bound to come. In the eighteenth century the population was increasing, and towards the end of the century the rate of increase was considerable. More food was needed, but the yield could not be enlarged under the old system, which, therefore, had to give place to another. Scarcity of food naturally produced a tendency to a rise in prices; the prospect of getting more if he could produce more was likely to make the most old-fashioned farmer overhaul his methods. Further, with the coming of the factory system the rural textile industry began to decline. It was not until well in the nineteenth century that it ceased entirely, but as the volume of work became less and occasional periods of idleness occurred the cottager was driven to rely more and more upon his land. Weaving and agriculture were becoming separated. The peasant might give up his country life, sell his land and cottage, and go into one of the new factory towns, there to devote himself to weaving, or he might try to get his living entirely by agriculture. The time was approaching when he could not both weave and delve. But agriculture on the open-field

system would not afford him a living, and the man who would live by agriculture was forced to improve his methods.

The great need was for the cutting up of the open fields and the reallocation of the land among the people in consolidated blocks which might be enclosed. The matter was discussed in hundreds of villages in the eighteenth century. Country folk are by nature conservative and slow to change, and unanimous agreement in favour of enclosures was rarely met with. Even if enclosure and consolidation was undertaken by general consent there would be differences of opinion as to the equity of the reallocation. In only a few cases was the change brought about in this way; in the great majority of open-field manors it had to be imposed by authority. Parliament was appealed to, and passed an act sanctioning the change and overriding the opposition of the minority in every case in which the lord of the manor and four-fifths of the persons interested favoured it. Such Acts of Parliament were passed occasionally in the reign of George II, and were very numerous in the time of George III.¹ A general Enclosure Act in 1801 simplified the procedure, but it was still necessary to obtain parliamentary sanction for each case of enclosure. Enclosure Acts were fewer again in the reigns of George IV and William IV, but this was because most of the land was by this time enclosed, and little remained to be done. The open fields disappeared, and the hedges which are such a prominent feature of the countryside to-day came into existence.

Consolidation and enclosure were absolutely necessary. It does not follow that the reform was carried out in the best possible way. When an Enclosure Act had been passed a commissioner was appointed to visit the village and carry out the work of cutting up and reallocating. He attended to all claims, and there is no reason to think that he did not do his work fairly. But he could recognise only legal rights, and the peasants had hitherto enjoyed some privileges which were based not on legal right but on the custom of the manor. The commissioner could, and did, assign to the peasant a consolidated piece of land in exchange for the strips which he surrendered; he could give him no compensation for the loss of grazing and woodland "rights." What was not given to other claimants remained the property of the lord of the manor, who was thus recognised as the owner of the stretches of

¹ It has been estimated that about a quarter of a million acres were enclosed in the reign of George II, over six millions in that of George III, about 350,000 acres in the time of George IV, and less than a quarter of a million in the reign of William IV.

woodland and pasture which hitherto had been used by the villagers in common. The peasant who received a plot of a few acres found himself worse off than he was before: he had to face the expense of enclosing it with hedge or fence, and he had no place in which to graze his plough-oxen, his pigs, and his poultry. In addition, he was called upon to pay his share of the legal expenses attendant upon the change. In his bewilderment he was ready to accept the first reasonable offer that was made for his small property. Offers were not lacking. Men were growing rich in the industrial towns; some of them aspired to enter Parliament or to become county magistrates. But, however wealthy they might be, they were unable to take any part in national or local government unless they owned land.¹ And the possession of land was of equal or greater importance socially. The wealthy, but landless, manufacturer was a nonentity and an upstart; when he acquired land he became a personage of importance and was received as a social equal by other country squires. Land, therefore, commanded a ready sale, and the peasants readily parted with their consolidated plots to these *nouveaux riches*.

The class of rural inhabitants known as "yeomen"² thus disappeared. Much sentimental regret has been expressed at the passing of this class, which has been credited with virtues in excess of its deserts.³ It is frequently asserted that the existence of a class of peasant proprietors adds to the strength and prosperity of a country,⁴ but it should be remembered that the English

¹ Every member of Parliament who represented a county had to possess land worth £600 per annum; the qualification for a borough member was the possession of land worth £300 per annum. Every county magistrate was required to hold land worth £100 per annum.

² The application of this term has been restricted by some people to the small freeholders, but there is good ground for describing copyholders and leaseholders also in this way. (Bishop Latimer, in his well-known and oft-quoted sermon before Edward VI, spoke of his father as "a yeoman who had no lands of his own, only he had a farm of three or four pound by year at the uttermost." The elder Latimer was evidently a leaseholder.) What determined the suitability of the appellation was the social and economic position of the men in question, rather than the tenure by which they held their land. They were definitely superior to the landless labourers, and as certainly inferior to the landed gentry. The yeomen who "disappeared" were the small freeholders and copyholders who held land in the open fields.

³ The frequent use of the term "yeoman" in association with a eulogistic epithet, such as "stout," "sturdy," "honest," "worthy," has perhaps tended to distort judgment on the merits of the class.

⁴ But the contention is by no means proven. The peasant proprietors in France, Belgium, and other countries cultivate their land by antiquated methods, they possess insufficient capital, they work hard, and they can hardly be described as prosperous.

yeomen were associated with the survival of an outworn agrarian system and that their continued existence as a class was a barrier to progress.

Some of the yeomen drifted into the growing industrial towns and, after frittering away the money they had received from the sale of their land, became factory workers. Others, more careful, husbanded their small capital and established small factories, and, in course of time, in their own or the succeeding generation, amassed fortunes. (It is a well-established fact that many of the early successful manufacturers came of yeoman stock.) But many others remained on the land which had supported their fathers for more than a thousand years. Of these some, perhaps most, sank into the position of wage-labourers. The more capable and energetic became tenant farmers, renting large farms of from two to three hundred acres from the owners of the large estates which had come into existence as described above, and using their money as working capital.

The three grades of English rural society before the agrarian revolution were the manorial lords, the yeomen, and the labourers. In the nineteenth century the corresponding grades were the squires, the tenant farmers, and the labourers.

The establishment of enclosures and the consolidation of holdings in place of the open fields were absolutely necessary. Experiment was now possible, the fallows disappeared, and new and more extended rotation of crops came into existence. In view of the marked variations in climate and soil in different parts of the country it is obvious that no uniform plan of farming was suitable for all districts. The Norfolk course, introduced by Lord Townshend, became popular and was adopted in many places. It was a four-year course, based on the following principles:

- (1) The fallow year was eliminated.
- (2) Corn crops were grown in alternate years.
- (3) In the intervening years a clover crop and a root crop were produced.

In the most common form of the Norfolk course wheat, clover, barley, and turnips were grown in this order in successive years. It was found that in the clover¹ and root-crop years the fertility of the land was sufficiently restored to enable corn crops to be grown without a fallow year being resorted to, especially if the land was dressed with suitable manure. The roots (turnips, swedes, and mangel-wurzels) provided winter food for cattle, thus solving

¹ The nitrates stored in the roots of clover are ploughed in, with beneficial results on the corn crop in the following year.

a problem which had always baffled the medieval cultivator. The keeping of stall-fed cattle in the winter provided the farmer with a quantity of stable manure to throw on the land, so that the success of the four-year rotation was definitely assured.

Stockbreeding received much attention in the eighteenth century. Before this time English farm stock had been of poor quality. Oxen were thin, bony, and long-legged, and were valued for their power of draught rather than for their weight. Sheep were thin and produced a very light fleece, and all types of stock were much affected by the prevalence of infectious diseases. Except for the efforts of a few progressive breeders in the seventeenth century, there was, before the agrarian revolution, no attempt at improving stock by judicious breeding, and large numbers of animals were killed off in the autumn of every year because of the impossibility of feeding them during the winter. But the use of turnips and other roots solved the problem of winter feeding, and a number of breeders, among whom were Robert Bakewell, of Dishley, and the brothers Colling, of Durham, developed improved strains of cattle and sheep. Oxen were bred for the production of beef; their weight more than doubled during the eighteenth century. Sheep were bred for mutton and for wool; the weight of the animal trebled during the century, and the improvement in the weight of its fleece was even greater.

The invention of the drill by Jethro Tull introduced a new method of sowing. Before the eighteenth century the sower carried a tray of seed which he scattered on the ground by hand to right and left, a process which had not been changed since biblical times. The seed was scattered unevenly, and much of it was wasted. By the drill a hole or furrow was made in the ground, and seed was dropped regularly into it. Smaller quantities of seed were used, and better crops resulted. Tull also advocated the pulverisation of the soil, and he introduced the practice of horse-hoeing.

Royal patronage was given to the movement for the improvement of agricultural methods. George III, affectionately known to his subjects as Farmer George, established a model farm at Windsor. Much of the success of the movement was due, too, to Arthur Young, Secretary to the Board of Agriculture, who travelled extensively in England and France. He compared methods and devices in use in different districts, and collected and disseminated information. If Young was the theoretical advocate of the new ideas, their practical exponent was Thomas Coke, the squire of Holkham, who in later life became Earl of Leicester.

Succeeding as a young man to the Holkham estate he found it in a deplorable condition. By judicious marling and manuring he converted light sandy soil into rich wheat-land. He adopted new devices, he sought information, he encouraged his tenant farmers to use up-to-date methods. His estate became a model famous throughout western Europe, and before his death in 1842 (he was over ninety years old) he had spent over half a million sterling upon estate improvement. All this and more came back to him through improved crops and enhanced values, and he died a very rich man.

The problem of supplying food to the increasing population of Great Britain was solved only partially by the changes described in this chapter. The increase was so rapid after 1750 that by the beginning of the nineteenth century some food had to be imported. The amount brought in was at first not large, and during the French wars the country had to rely for the most part upon its own production. It will be shown in later chapters that even as late as 1850 the bulk of the food required in Great Britain was grown at home, but in the second half of the nineteenth century the country became accustomed to relying upon the importation of food. But though the extraordinary increase in population in the industrial areas made importation necessary, the agrarian revolution of the eighteenth century had the effect of putting English agriculture in the forefront by comparison with that of other countries. English farming, in fact, was the best in Europe, and it long remained the model which continental countries tried to imitate.

CHAPTER XIV

THE INDUSTRIAL REVOLUTION

DURING the second half of the eighteenth century and the first half of the nineteenth British industry underwent great changes—changes so remarkable in character and so extensive that the term Industrial Revolution¹ has been applied to them. The word "revolution" implies a fundamental change; a political revolution is a complete change of government,² a diplomatic revolution is an entire rearrangement of international alliances, an agrarian revolution is a change in the technique and organisation of agriculture, a social revolution is a change in the relative importance of certain social classes. Similarly, the Industrial Revolution was a change in industrial method, from hand-work to work done by machines driven by power, and in industrial organisation, from work at home to work in factories. Under these new conditions industry aimed at production on a large scale; the old ideal—catering for a limited and stable market—was replaced by a determination to produce cheaply and abundantly, in order to supply a market which often extended beyond the limits of the nation and, indeed, might become world-wide.

A revolution need not be sudden nor violent; it may be gradual, and even imperceptible. It is probable that most people living at the time of the Industrial Revolution were hardly conscious of the changes that were then taking place, and it would be difficult to give with any degree of accuracy dates between which they occurred. Within a period of twenty years—1765–85—several important textile inventions appeared; yet it is out of the question to treat the Industrial Revolution as being contained within this short period. For many years before 1765 experiments, for many

¹ The introduction of the term Industrial Revolution is often attributed to Arnold Toynbee, in 1884. It seems, however, to have been used by a French writer, Blanqui, as early as 1837, and, later, by Jevons, Engels, and Karl Marx.

² The term "revolution" is usually recognised as appropriate when applied to the more violent and spectacular upheavals such as occurred in France in 1789 and in Russia in 1917. It is not customary to describe a change of government such as happens at times in Great Britain and in other countries in which parliamentary institutions exist as a revolution. Such a change is orderly and peaceful; this country is sufficiently advanced politically to have evolved a method of changing its government without having recourse to violence and bloodshed—but the change is, nevertheless, a revolution.

years after 1785 improvements, were being made in textile machinery, and the complete transformation of the textiles occupied a period of certainly not less than seventy years. Changes in another direction extended over an even longer period. The steam engine as a source of power made its appearance early in the eighteenth century; it had not entirely displaced the water-wheel by the middle of the nineteenth century. Nor was the change from domestic work to factory work completed within a short period. As early as the sixteenth century instances are found of the congregating of large numbers of workers under one roof, in premises controlled by the employer; in some industries the transformation from the domestic to the factory system is not complete at the present day. These considerations have induced some writers to question the suitability of the term Industrial Revolution; they contend that such change as can be observed occurred in the slow course of industrial evolution, and that the word "revolution," with its usual connotation of suddenness and violence, is inapplicable to them. But if the state of British industry in 1850 be contrasted with its condition in 1770 the importance of the changes which occurred will be recognised, and the appropriateness of describing them as revolutionary will be admitted.

Until the middle of the eighteenth century Great Britain was mainly an agricultural country. Towns were few and, judged by modern standards, small, and four-fifths of the people lived in country villages and gained their living chiefly by agriculture. Most of the great manufacturing industries, such as cotton, wool, steel, hardware, pottery, and glass, which exist to-day in the great industrial towns, had not been started, or, if they existed at all, were carried on upon a small scale in country districts. Textile work was done in the cottages by people who were engaged also in agricultural labour, and it was done by hand or with the help of hand-worked implements. Men who cultivate the soil are not uniformly busy all the year round. When such important agricultural operations as ploughing, sowing, and reaping are being carried on, the farmer and his men are fully occupied. But there are times when farm work is less pressing, and other times when, owing to inclemency of weather or failure of light (as in mid-winter), outdoor work is nearly impossible. It was usual, therefore, before the Industrial Revolution, for agriculturists to spend their spare time in work at home. The woollen industry was carried on mainly by people who looked upon it as a by-employment which supplemented their income from the cultivation of a

few acres of land, or who, in some cases, regarded their farming as supplementary to their weaving.

In this cottage textile work (as, indeed, in field work) men, women, and children were all engaged. Carding was undertaken by children, and the straightened fibres of wool or cotton were spun into continuous yarn by the women. Weaving, on a handloom, was usually done by men, though it was not unknown for women also to work at the loom. The industry was under the control of "dealers," or "clothiers," men who possessed capital and lived in a market town, from which they visited neighbouring villages in order to give out wool or cotton and to collect the cloth made from the material left by them on a previous visit. The supplementary processes, such as dyeing or bleaching, fulling, printing, and finishing, were carried out, in establishments maintained by the clothier, by workmen employed by him for this purpose. From his warehouse in the town the clothier would send the cloth, probably by river, to a port at or near the river's mouth, where it was purchased by a merchant for export.

The system had many defects. The clothier found it impossible to get the work done regularly, for if a man chose to cease work and take a day's holiday he could do so, and if the piece of cloth was not ready by the day of the clothier's call the latter had no remedy. Clothiers suffered, too, from the dishonesty of their workpeople, for it was impossible to determine whether the cloth which was returned to them represented the whole of the raw material which had been given out.

English trade was expanding in the eighteenth century. Merchants found an ever-increasing demand abroad for English textile goods which it was to their interest to try to meet. They pressed for more from the clothiers, who in turn exhorted the workers to produce more. Under the existing system it was impossible to increase production very much. The weavers, indeed, were often idle for lack of yarn, but the spinners were always busy. A weaver working full time would use up the yarn produced by five or six spinners. Some change, therefore, was necessary in the method of spinning if production was to be increased. The necessity for improved means of spinning provided the initial impetus for the changes which were to develop into the Industrial Revolution. In course of time a series of inventions brought about an entire transformation of the textile industries, which is described in a separate chapter.

The textile machinery invented in the eighteenth century was applied in the first instance to cotton and not to wool, although

the latter had been the more common material in the era of cottage industry. For this there were several reasons. The woollen industry had been in existence for hundreds of years, and the opposition of vested interests would have had to be overcome before changes could be made; the cotton industry was relatively new, and the application of machinery to it could be accomplished without difficulty. Further, the supply of wool was limited, and it could not be substantially increased from British pastures. Of cotton, on the other hand, supplies were received from the Levant and the West Indies and, after the invention of the cotton gin in 1794, from the United States. Yet again, the nature of the cotton fibre lent itself more easily than did wool to mechanisation. The cotton industry forged ahead and took the premier place in British textiles. (But before the middle of the nineteenth century large quantities of wool were being received in Great Britain from Australia and New Zealand, and a great expansion of the woollen industry followed.)

Machines were at first driven by water-power, which is fairly common in most parts of Great Britain. The early factories were set up by the side of streams in country places, and, as no accommodation existed for the workpeople, cottages were erected for them by the factory owners; factory villages thus came into existence.¹ But water-power proved to be unsatisfactory; sometimes there was too much water and at other times too little, while in cold weather the freezing of a stream would bring work to a standstill. Nevertheless, it was widely used until the middle of the nineteenth century. The invention of the steam engine provided an alternative which possessed advantages over water as a source of power. It was under more definite control, it was capable of supplying any degree of power required, and it might be used anywhere. With its advent it became convenient to establish factories in regions where coal was found. Factory villages were abandoned, and large factory towns sprang up in such areas as Lancashire, Yorkshire, and the Clyde Valley.

¹ In such districts there were usually no shops other than one opened by the factory owner. The workpeople were thus compelled to deal at this shop, where they might be encouraged to get into debt. Such debts, with the rents of their cottages, were deducted from their wages at the end of the week, and they might owe so much to the employer that they never became free from debt, and could not leave their employment. In other cases they were compelled to accept payment of wages, in whole or in part, in goods. The payment of wages in goods was known as truck, and in course of time it was prohibited under very heavy penalties by Act of Parliament. In 1887 the enforcement of the law against truck was assigned to factory inspectors.

The change from the domestic system of industry to the factory system was an inevitable consequence of the invention of machinery. Machines are bulky and expensive, and are driven by power. The cottage worker had neither means to buy a machine nor space in which to set it up, and if these difficulties could have been overcome he would have had no power at his command to set it to work. A machine, moreover, has no advantage in point of economy over a hand implement unless it is fully and continuously at work; vast quantities of raw material are needed to feed a machine, and the home worker would not have enough at his disposal. Under such conditions the new system could be adopted only by men with sufficient resources (capital) to install the necessary equipment and to set people to work. This separation between the workers on the one hand and the ownership of capital on the other accounts for the present system being styled capitalistic.

Nevertheless, the transformation of industry was not brought about quickly. Its slow progress in the textile industries is referred to in another chapter; in many other industries it was even slower. Until the close of the nineteenth century a good deal of work was done in the homes of the workers in dressmaking, tailoring, bootmaking, leather-working, watchmaking, matchbox-making, and many other industries. It is not to be inferred that the factory system had not appeared at all in these crafts. The two systems existed side by side for many years, and in some industries the domestic system is not yet extinct.

To some extent the change was delayed on account of the reluctance of both employers and workpeople to enter upon it. When new industries were set up there was little difficulty in organising them on a factory basis. In crafts which had long been in existence there was on both sides a good deal of reluctance to abandon a way of life which was well understood for another which might in the end be better but which was in any case uncertain. Clothiers who suffered from the idleness, dishonesty, and incompetence of their workers under the domestic system hesitated, nevertheless, to make the change, which would involve heavy expenditure on buildings and machinery and heavy overhead charges on upkeep—charges which would continue, moreover, in times of slack trade, while under the domestic system it was the workers rather than their employers who suffered when trade was bad. Only when the evils of the existing system became intolerable to him would the employer be willing to embark on the change.

In some industries, such as the spinning of flax by Irish peasant women, and the weaving of woollens in England after 1815,¹ the introduction of machinery was postponed because hand-workers were so badly paid that it was not worth while to install machinery.

The workers, also, were unwilling to change. There was a feeling of "wage-slavery" about the factory that was absent from the home. Hours of work at home might be as long as, or even longer than, in the factory, but the worker could fix them himself. If he wished to walk out for an hour, or to take a day's holiday, he had to ask permission of nobody. The relative independence of the home contrasted with the discipline of the factory. Moreover, work at home was often supplemented by the produce of a patch of land; as a factory hand the worker would be divorced from the land which had afforded sustenance to his ancestors for a thousand years and more.

In the long run factory work proved advantageous to the employee. Hours of work were not longer than they had been at home, and conditions of factory labour, repellent as they were at first, were probably superior to those prevailing in the home, where, perhaps, work was carried on in a room in which food was being prepared, clothes were being washed, and sick children were being nursed. In course of time, too, the congregating of men together in the factories made possible their association in trade unions, with consequent improvements in working conditions. The social and political value of such association was not inconsiderable. The working classes trained themselves to take an intelligent interest in economic and political questions and to qualify in later years for the exercise of the franchise and for participation in the government of the country. But it was not to be expected that the domestic worker would envisage these advantages, real as they ultimately became, and he clung to his independence as long as he could.²

The demand for iron for machinery and engines led to a revival of the iron industry, and the need for coal brought about great advances in mining. These are described elsewhere, but it may be noted here that the abundance of coal and of iron ore in the same districts was an important factor in British industrial development at this time.

¹ After the conclusion of peace in 1815 many thousands of men were discharged from the army and navy, and many of these turned for occupation to hand-weaving. The wages of hand-weavers consequently fell to a very low level.

² It is possible that the difficulty of obtaining hands accounts to some extent for the readiness of manufacturers to employ children in the factories.

The Industrial Revolution made its appearance in Great Britain earlier than in other countries. The changes which have been referred to in this chapter and which are treated in greater detail elsewhere in these pages were being made during the eighteenth century and the earlier part of the nineteenth century. In France some attempt was made to introduce machine industry as early as the time of the Emperor Napoleon, but the factory system was not widely established until the reign of the "bourgeois king," Louis Philippe (1830-48), and further developments occurred under Napoleon III (1852-70). Germany was not industrialised in the modern sense until after the establishment of the German Empire in 1871, and the movement hardly touched Russia until the last decade of the nineteenth century. There was no industrial development on a large scale in the United States until after the Civil War (1861-5).

The causes of Great Britain being first in the industrial field need investigation. In the years immediately preceding the Industrial Revolution France was the leading industrial competitor of Great Britain; France, in fact, was considerably ahead of Great Britain. Various reasons have been assigned for the priority of Great Britain in modern industrial development, and there can be no doubt that it was the product of many factors. One outstanding circumstance which contributed to this result was British political and financial stability. After 1688 the constitution of this country was established on principles which did not meet with acceptance on the Continent until the nineteenth century, and the utter failure of Jacobite attempts to set the political clock back proved the solidity of British institutions. The wise policy of Walpole brought great prosperity to the nation, so that financial stability accompanied the political settlement. Great Britain was, indeed, involved in most of the great wars of the eighteenth century, but they were fought out on the Continent, or at sea, or in Asia or America, and the freedom of this country from invasion contributed to industrial development.

Industrial progress in many countries was hindered by the absence of that personal freedom which had been enjoyed by Englishmen since the sixteenth century.¹ Though serfdom was practically extinct in France before the French Revolution, it lingered on in various countries of Europe till well into the nineteenth century. While the masses of working people were legally tied to the soil it was impossible for them to move into the towns in order to provide labour for factories, engineering works, mines,

¹ At any rate, since the decision in *Pigg v. Caley*, 1617.

and docks. In all countries the abolition of serfdom was an essential preliminary to real industrial progress.

Circumstances in Great Britain favoured the accumulation of capital—a necessity for industrial expansion. The success achieved by the great trading companies had brought wealth to their members, and money was thus available from the profits of foreign trade for investment in industry. Capital was accumulated, also, as the result of abstinence and frugality practised from religious motives. In this connection the influence of Puritanism in the seventeenth century, and of Methodism in the eighteenth, was appreciable. Indulgence in worldly pleasures was frowned upon, but success in business was regarded as the normal consequence of a devout way of living. "Heaven is not a dumping-ground for the failures of earth." If men were encouraged to seek success in business and at the same time to refrain from frivolous expenditure wealth was bound to accumulate, and it became available for use as capital in industry.

Great Britain possessed many natural advantages. Her geographical position was peculiarly suitable for world trade; no part of the world was inaccessible to her ships. Her coastline offered excellent harbours, and her many navigable rivers afforded means of internal communication. Her climate was invigorating, and promoted habits of industry. In certain parts of the country it was especially suitable, for technical reasons, for the development of the textile industries. Natural resources were abundant, and the vast supplies of coal and iron, in close proximity to each other and to the coast, were vital to industrial development. It is not too much to assert that if iron had not been available for the construction of machinery and steam engines, and if there had been a lack of coal to smelt it and to drive the engines, the industrial expansion of the period could not have taken place.

The great changes in industrial methods and organisation which are included in the movement known as the Industrial Revolution had important results. Some of the features of modern industry can, indeed, hardly be termed "results" of the Industrial Revolution; it is with difficulty that the interaction of one factor upon another can be traced, and it is not always possible to state with precision what is cause and what result. But certain things associated with the movement may be observed.

One of the most important features of modern industrial organisation is the commanding position of capital. Industry in the Middle Ages was not capitalistic in the modern sense. The gildsman required little more than his tools to enable him to set

up in business, and, though the textile industry was organised on a more definitely capitalistic basis between the sixteenth century and the eighteenth, the amount of capital involved was much less than was used in the large undertakings that were built up in the nineteenth century.

During the Industrial Revolution the population of Great Britain increased to a remarkable extent. The first census was taken in 1801, and accurate information as to the numbers of the people at different times is available only for the nineteenth and twentieth centuries. It is estimated that the nation in 1700 numbered five and a half millions and that by 1750 it had increased to six millions. From this time the growth in numbers was rapid. During the next half-century there was an increase of fifty per cent, since the census of 1801 revealed a population of nine millions. This was doubled by 1851 and doubled again by 1901. Before the Industrial Revolution most of the people lived in the country, and the most thickly populated parts of Great Britain were in the counties of the south and east. Except for some districts on the Tyne, in the West Riding, and in Lancashire, the north of England was sparsely populated and almost barren. The industrial changes resulted in the massing of people in the coal and iron regions of the north, of South Wales, and of certain parts of the Midlands, and three-fourths of them now live in towns of over 10,000 inhabitants.

The new methods in industry led to a great increase in the production of all kinds of manufactured goods. This was the natural result of the introduction of machinery, for a machine is tireless, and works much more quickly than a man. A workman in charge of a machine can produce ten or a hundred times as much as could have been turned out before the machine was invented. Ignorant workpeople often resented the use of machinery on the ground that, as they supposed, it caused unemployment, and riots sometimes occurred in which factories were stormed and machinery was broken up. But the ultimate effect of machine production was to cheapen the goods; a larger demand was created, and in the end not fewer but more people were employed. Work was found also for a new class of workmen, the engineers, in the construction of machinery.

The goods thus produced in large quantities were exported to all parts of the world. The start which Great Britain obtained over her industrial rivals enabled her to establish a footing for her trade in many remote countries. Markets were developed, and British goods secured a reputation abroad which they have never since lost.

The Industrial Revolution occurred at a time when the foundations of mercantilist faith were being undermined and its principles were being attacked. *Laissez-faire* philosophy was in the ascendant, and it was no longer felt that economic activity ought to be subject to State regulation and control. Foreign trade ceased to be monopolised by the great chartered companies, and the regulation of industry by the State was discontinued. The working classes were adversely affected by this change of view. They were no longer protected by the Statute of Artificers, and they were at first unable to protect themselves, for their early efforts to establish trade unions were suppressed by law.

Industrial development on a large scale would have been impossible if means of transport had not been improved. This is a matter which is dealt with in other chapters, but it may be observed here that while production was carried on all over the country on a small scale goods were used in the neighbourhood in which they were produced, or, if they were to be exported, the rivers afforded a sufficient highway for their transport to the coast. With the advent of large-scale production better means of transport were needed. The large quantities of goods produced by a group of factories in a single town could not be disposed of in its immediate neighbourhood; they must appeal to a wider market, and the larger the quantity produced the wider must be the market. Under conditions of maximum production, indeed, the market must be the whole civilised world. This was impossible unless adequate facilities existed for the cheap transport of heavy and bulky goods over long distances; the construction of canals and railways and the development of steamships necessarily accompanied the Industrial Revolution.

It is possible, in fact, to distinguish in the course of the Industrial Revolution two stages which correspond with the extent to which transport facilities had developed. In the earlier stage industry was still compelled to rely upon roads, rivers, and canals, and factories of moderate size were set up by one man or by a partnership. Compared with machinery of the present day, that of the period under review was primitive, and it was driven by water-power more frequently than by steam. With the development of railways and steamships much larger establishments came into existence, and the amount of capital required was such that companies had to be formed—a process that was facilitated by the growth of the banking system and the evolution of company law. Complex and powerful machinery, driven by steam, produced goods on a very large scale for export to all parts of the world.

The political effects of the Industrial Revolution were important. Before the middle of the eighteenth century Parliament was to a reasonable degree representative of the country—not, indeed, of the common people, but of the landed interest, and agriculture was until that time the principal source of the nation's wealth. The new industrial towns that came into existence with the growth of the factory system were not represented in Parliament, and the anomaly by which small decaying towns and villages sent members to the House of Commons, while important centres of population were denied that privilege, became year by year more evident. Wealthy merchants and manufacturers, as such, were not eligible for admission to the House of Commons. The landed interest fought long and hard to exclude the manufacturing interest from any share of political power, but the demand for parliamentary reform at length became so overwhelming that it could not be denied.

CHAPTER XV

THE REVOLUTION IN THE TEXTILE INDUSTRIES

APART from agriculture, the most important industry in England before the Industrial Revolution was the manufacture of woollen cloth. As has already been indicated, from the sixteenth century to the eighteenth the industry was carried on under the domestic system and was controlled by dealers, or clothiers—men who had at their command a good deal of capital. The raw material was given out by the clothiers to be spun into yarn by women who lived in country cottages. Yarn was collected and given out to weavers to be woven into cloth. Frequently the various processes were carried on in the same cottage, children carding the raw material, women spinning it, and the father of the family weaving it into cloth. The clothiers arranged for the dyeing and finishing of the cloth in establishments which sometimes employed a considerable number of workers.

In some parts of the country, and especially in Yorkshire, the organisation of the industry was on different lines. The artisans, who were men of some substance who might employ one or two journeymen, bought the raw material, carried out the successive processes, including dyeing and finishing, and sold the completed piece of cloth at the local cloth hall, a market where such goods were exposed for sale.

There was a shortage of wool in the eighteenth century. As early as 1660 the export of wool from England had been prohibited in order that the home industry might not be embarrassed by inadequacy of supplies. Merino wool was imported from Spain for the manufacture of fine cloth. Wool was imported also from Ireland, and the Irish were forbidden to send it elsewhere. Nevertheless, the shortage in France was so considerable that the smuggling of wool from both Great Britain and Ireland to France¹ was profitable, and heavy penalties were imposed for the offence. The embargo on export was not removed until 1825.

There was a considerable immigration of Huguenot workmen from France after the revocation of the Edict of Nantes in 1685, and the silk industry, practised by them, attained a considerable measure of importance in the first half of the eighteenth century. Raw silk was obtained from India, where the East India Company

¹ The smuggling of wool from Ireland to France was carried out by transshipment in the Irish Sea.

encouraged its production, and from Italy. The linen industry, also, was of some importance, especially in Scotland, where, after 1707, it was protected from Irish competition.

The manufacture of cotton goods was unimportant in the early years of the eighteenth century. Cotton was received from the Levant, where, however, French and Dutch traders competed with the English Levant merchants in the purchase of the available supply, and from the West Indies, where the British were not in a strong position until after 1763. Supplies were thus uncertain, and the development of the industry was hampered. A further reason for the slowness of its growth is to be found in the hostility of those who were engaged in the woollen and silk industries, and of the East India Company, which from its early days had imported cotton piece goods from India.

East Indian cotton goods were popular in England, and in the interests of the woollen and silk industries the import of printed cotton goods from the East, for use in this country as clothing or furnishing, was prohibited in 1700.¹ White cotton goods might, however, be imported. A calico-printing industry was established, and the use of Indian cotton goods continued. In 1721, therefore, an act was passed forbidding the use, after December 1722, of printed cotton goods in England, for clothing or for upholstery, whether the print was applied here or elsewhere. English ladies who still desired to use the material were limited to white cotton goods (calico) or to muslin. The prohibition of 1700 did not apply to printed cotton goods brought to England for the purpose of re-export, and English merchants found markets for these goods in West Africa, the West Indies, and the southern colonies of America.

For more than fifty years after 1720 a fabric which was a mixture of linen and cotton was produced in England. English manufacturers had not succeeded in producing a cotton yarn which was strong enough for warp, and they used a linen warp with a cotton weft. There was some doubt about the legality of the use of this material after the passing of the Act of 1721, and it was definitely legalised by the Manchester Act of 1736. There was every reason for this branch of textile work to be prosperous. The competition of imported white cotton fabrics and muslins was of little

¹ This protectionist policy was designed against East Indian cotton goods in the interests of English woollens and silks; it resulted ultimately in the establishment of an English cotton industry. If trade in cotton goods from India had been unhampered it is unlikely that the English industry would have developed so rapidly.

account, since they were subject to heavy duty. In practice, therefore, the industry monopolised the home market for this class of cloth, and, in addition, it was encouraged by a bounty on export.

In the second half of the eighteenth century new factors arose which gave greater importance to the cotton industry. The death of the Mogul Emperor Aurangzeb, in 1707, had been followed by a long period of internal disorder in India, in the course of which a struggle occurred between French and English for predominance in that land. Such conditions were hardly favourable to a continuance of ordered trade, and the interruptions in the supply of Indian cotton piece goods compelled English merchants who wished to export them to rely upon the products of English industry. Then, too, the water-frame, invented by Arkwright in 1769, was capable of producing cotton yarn strong enough to serve as warp, and the weaving of whole-cotton goods in England became technically possible. In 1774 the prohibition which had been imposed in 1721 on the use of printed cotton goods in England was removed, so that technical and legal obstacles to the expansion of the cotton industry disappeared at about the same time. A fourth factor in the stimulation of the industry was the introduction of cotton-growing into the southern states of the United States of America, and before the end of the century an unlimited supply of cotton was available from this source.

The chief difficulty which had to be faced by the manufacturers of cotton cloth was in connection with spinning. Spinners were too few in number, and their work could not keep pace with that of the weavers, who, therefore, were often idle for lack of yarn. In the middle of the eighteenth century attention was directed to the problem, and several machines were devised by, among others, Wyatt, Paul, and Higs. No great amount of success attended these efforts, but in 1767 James Hargreaves,¹ a Blackburn weaver, constructed the spinning jenny, which was capable of turning eleven spindles at once. It produced a fine yarn, suitable for the weft, or cross thread, but not strong enough for the warp, or long thread, which ran the length of the piece. The jenny came into fairly general use for cotton spinning during the next few years; it was worked by hand and could be used in the cottages, so that while its introduction brought about increased production of yarn it involved no change from the domestic system.

In 1769 Richard Arkwright invented a spinning machine which

¹ The date of Hargreaves' invention is by some authorities placed as early as 1764; that of Crompton is often put as late as 1779.

was based on an entirely new principle, the thread being passed between two pairs of rollers, the second pair rotating a little faster than the first. It was contended that Arkwright's invention was no more than an adaptation of that of Wyatt, and legal proceedings were taken, as a result of which his patent was quashed. But Arkwright, unlike many inventors, was at least a good business man, and he was able to enlist the interest of capitalists in his device.

The machine could not be worked by hand, and, as water-power was applied to it, it was called the water-frame. It could not be used in the cottages; it was too large to be accommodated and too expensive to be bought by the home-worker, and special buildings had to be provided for it, so that its introduction marks the beginning of the factory system. The water-frame produced a yarn that differed from jenny-yarn in that it was strong and coarse and was suitable for use as warp. In 1771 Arkwright, in conjunction with Jedediah Strutt, established a factory at Cromford, in Derbyshire, for the production of yarn for stockings, which were manufactured by Strutt. By 1776 Samuel Crompton had invented his mule, a machine which combined the principles of the jenny and the water-frame, and produced a yarn both fine¹ and strong. The weaving of muslins now became possible in England² (they had hitherto been imported from India). Before long mules were constructed that would turn hundreds of spindles. The jenny continued in use for many years, for cottage industry died out very slowly, and it was common for "factory-yarn" to be used for warp and "hand-yarn" for weft.

The earliest mules were worked by hand, and, like the jennies, could be set up in the homes of workers. But, in view of the necessity of getting work done regularly, employers soon found that it was advisable to gather jennies and mules in workshops.³ Before the end of the century they were generally worked by water-power; in some cases steam-power was used, but the substitution of steam for water as the source of power took place slowly, and the former was not in general use in the textile factories

¹ Yarns were graded according to the number of hanks per pound. As the hank was of standard length, the higher the number the finer was the yarn. Under older methods of spinning the finest yarn obtainable was 30-40. With the mule 60 was obtained at once, and in course of time yarn as fine as 350 was spun.

² Muslins were woven at Bolton as early as 1763, of yarn imported from India.

³ A workshop may be distinguished from a factory by the fact that hand-implements are used in the former, while in the latter power is applied to machinery.

before the middle of the nineteenth century. The early spinning machines required a good deal of attention from the operatives, but a self-acting mule was invented in 1825 by Richard Roberts, and it was improved upon in 1830.

The widespread adoption of this new spinning machinery changed the balance between spinning and its companion process, weaving. There was now abundance of yarn;¹ weavers were in great demand, and their earnings increased. Wholtime weavers, who hitherto had gained a miserable and precarious livelihood owing to the uncertainty of their employment, became prosperous, while part-time weavers, men who had practised tillage as well as weaving, now often found it profitable to abandon field work and devote themselves entirely to textile work. The scarcity of good weavers and the high wages demanded by these artisans stimulated the application of machinery to this branch of the textile industry also.

As early as 1733 a flying-shuttle had been invented by John Kay. The weaver operated the shuttle by pulling strings instead of by passing it from hand to hand, backwards and forwards. By the use of this device "broadcloth" could be woven by one man, instead of by two standing side by side, as formerly. But yarn was scarce when the flying-shuttle was introduced, and it was of little importance until after the spinning machines had been invented. In 1785 a power-loom was designed by Edmund Cartwright, but it was clumsy and inefficient. Improvements were made in it, and in the improved power-loom which was brought into widespread use after 1815 were incorporated the ideas of several inventors and mechanics, including Radcliffe and Horrocks. Nevertheless, hand-weaving continued for many years. With the introduction of power-weaving the wages of hand-loom weavers fell; after 1815 their numbers were augmented by the addition of many discharged soldiers who took up this work. Wages continued to fall, and hand-loom weavers were paid so wretchedly that employers hardly found it worth while to install machinery. Hand-loom weaving, at home or in workshops, did not disappear until nearly the middle of the century.

For several reasons Lancashire proved to be a more suitable area for the cotton manufacture than any other part of the country. The cotton thread snaps if spinning is carried on in a dry atmosphere; the rainfall of Lancashire is heavy, and its atmosphere is humid. The streams of the Pennine and Rossendale valleys

¹ There was some fear that the export of the excess of yarn would promote the establishment of a weaving industry on the Continent.

provided water-power for the early machinery, and after the introduction of the steam engine the coal of the county was available for driving it. In Liverpool the county of Lancashire possesses an ideal port for the importation of raw cotton and for the export of cotton piece goods. In other parts of the country one or other of these favourable circumstances is to be found; nowhere else are all three factors found in conjunction, except in the Clyde Valley, where, however, the natural advantages for shipbuilding are even greater than for textile work, so that the Clyde area has not competed with Lancashire in the production of textiles but has devoted itself to the building of ships. Therefore, Lancashire has proved to be ideal for the manufacture of cotton goods. The industry is well organised, and its markets and trade routes are well established. Its operatives have attained a degree of skill unequalled elsewhere, and many subsidiary industries have become located in the county.

The adaptation of textile machinery to the woollen industry did not occur at once. The cotton industry sprang up in the eighteenth century; there were no vested interests to be considered. The manufacture of woollen cloth had been in existence for hundreds of years; its methods were well established, and change was not likely to be welcomed. There was not the same reason for change as in the case of cotton. The supply of raw wool was limited, and a sufficiency of workers existed to deal with it. Cotton was much cheaper than wool, and, though supplies of raw material had to be brought from regions thousands of miles away, they were practically unlimited.

The combing of wool remained a hand industry until the invention of a machine for this purpose by Cartwright in 1790. Towards the end of the eighteenth century the jenny, operated by hand, began to be applied to the spinning of wool. In the north of England power machines were used for the spinning of worsted (long-staple wool) early in the nineteenth century. For short-staple wool their adoption was slower. As in the case of cotton it was not unusual for employers to gather their spinners to operate jennies in a workshop; the application of power, by water or steam, to these implements was then only a matter of time. The general use of mules in the spinning of wool came even later. Power-looms were used to some extent for worsted weaving after 1824, but the weaving of wool by hand did not cease until the century was more than half over.¹

¹ The hand-loom is still used for the weaving of special pieces of cloth, but its importance in this connection is slight.

The production of wool was very greatly increased by the establishment of large sheep-runs by squatters in New South Wales after 1805.¹ Sheep were reared also in large numbers in New Zealand after 1817, and by 1830 the import of wool from the Antipodes was appreciable. England's traditional textile industry, wool, had been shouldered out of its place in the eighteenth century by the new-comer, cotton; year by year after 1830 it grew in importance, though it has never succeeded in ousting cotton from its proud position as the premier textile industry in England. (At the present time the woollen industry of Great Britain is not entirely dependent upon the Australian shearings. Wool is received by Great Britain from South Africa and South America as well as from Australia and New Zealand, and some fine wool is imported from Spain. The Australian wool-producing industry is up to date in its methods. On large sheep-runs electrical machinery is used in clipping and subsequent processes. The wool is thoroughly scoured and is graded according to length and fineness, and it commands a higher price than English wool, since the English grazier operates on too small a scale to be able to copy the methods of his Australian competitor. Much of the Australian product is now sent to the United States.)

The linen industry was never as important in England as the woollen and cotton. Linen yarn was spun by hand by Irish peasant women who were so poorly paid for their work that the introduction of machinery would not have been profitable. The spinning of flax by machinery became general by 1840; weaving by machinery was not generally prevalent before 1860. The chief centres of the linen industry in the British Isles are Belfast and Dundee.

Mention has already been made of the silk industry, which had existed in England for centuries, and which became very important towards the end of the seventeenth century, when Huguenot refugees settled in large numbers in this country. In the early part of the eighteenth century it was, as indicated above, influential enough to secure, in conjunction with the woollen industry, the passing of acts prejudicial to the cotton trade. Machinery was adapted to the manufacture of silken fabrics in the eighteenth and nineteenth centuries, and the industry was protected by prohibitions and heavy duties, which, however, were not altogether effective on account of the prevalence of smuggling. The manufacture of silk continued to flourish after the reduction of duties

¹ John Macarthur in 1805 received a grant of 5,000 acres of land, with the services of thirty convict shepherds, for sheep-farming.

by Huskisson, but after their abolition in 1860 it declined in the face of French competition.

After the cloth, whether of cotton, wool, or linen, had been woven, other processes had to be undergone before it was ready for the market. Bleaching, dyeing, printing, and finishing were among the processes to be applied to the rough product. When cotton was spun and woven by hand it was bleached by exposure to sun and air for some months; the impossibility of treating in this way cotton goods produced on a large scale is evident. Every factory would have required bleaching grounds hundreds of acres in extent. Fortunately for the progress of the industry, the process of bleaching by means of chlorine was discovered; it was possible thus to bleach cotton cloth in a few days. The invention of new dyes has gone on almost continuously from the time of the Industrial Revolution until now. The printing of cotton fabrics was revolutionised by the invention, by Thomas Bell, of cylinder printing. The pattern was engraved on the surface of a metal cylinder over which the piece of cloth was run; the design was thus reproduced again and again until the cloth was completely covered.

Statistics relating to the textile industries indicate their continuous progress during the first sixty years of the nineteenth century. It is impossible to include in this chapter descriptions of the mechanical inventions which were applied to the textiles in the course of the nineteenth century, but mention may be made of the ring-spinning frame, which was invented about 1830 (though it did not come into full use until after 1860), the cotton-combing machines of Heilmann in 1847 and of Holden in 1848, and the Northrop loom later in the century. Machinery is used in every process connected with the textiles, and there is much specialisation within the industries. Spinning and weaving are carried on in separate establishments, and some spinning firms concentrate upon the production of a few grades of yarn. In Yorkshire there is a good deal of local specialisation. Bradford is the centre for the spinning of worsted yarn, much of which is sent to Leicester for use in the hosiery industry. The spinning and weaving of wool, as distinct from worsted, is carried on at Huddersfield. "Shoddy" is manufactured at Dewsbury, and tweeds are made in the Colne Valley. In both cotton and wool bleaching and dyeing are carried on as separate industries.

The cotton industry suffered a serious set-back during the American Civil War. The blockade of southern ports by the Federal navy cut off from Lancashire its supplies of raw materials.

Efforts were made to carry the industry on by the use of material from other sources, but these were entirely inadequate for the purpose. Mills were closed, their owners found themselves in financial difficulties, and unemployed operatives suffered great hardships. It is greatly to their credit that, understanding the importance and the magnitude of the issues involved in the American struggle, they bore their misfortunes with courage and equanimity and with an entire absence of disorder. Recovery was slow. Many skilled operatives drifted into other occupations, and some emigrated. When in after years supplies of cotton became more abundant and new workers appeared, they were not so highly skilled as their predecessors. Other textile industries prospered while Lancashire suffered. The linen industry of Ulster and the woollen manufacture in the West Riding made great progress.

As a result of the cotton famine attention was directed to the undesirability of the dependence of the industry upon a single source of supply. Some years before the American Civil War Lancashire manufacturers had considered the possibility of encouraging the growth of larger supplies of cotton in India, in Natal, and in Australia, but little had been done because of difficulties of transport. The construction of Indian and colonial railways tended to overcome this difficulty, and in the latter part of the century cotton was received in considerable quantities from India and Egypt. Egyptian cotton, of long staple, was considered to be equal in quality to American sea-island cotton and was especially suited to the requirements of the Lancashire industry.

Fears of a shortage of supplies in the twentieth century led to the formation in 1902 of the British Cotton-Growing Association. This body has spent large sums in the encouragement of cotton-growing in various tropical provinces of the British Empire. An improved type of cotton has been produced in India, the output of the West Indies has been increased, and flourishing cotton-growing industries have been established in Nigeria, Uganda, and the Sudan.

In recent years artificial silk, made of wood-pulp, cotton, paper, and other substances, has been produced in considerable quantities. The fabric is attractive in appearance, it is durable, and it is moderate in price. It is replacing linen and cotton for many purposes connected with clothing and furnishing. Its appearance on the market is affecting the demand for other textiles, and it is impossible to foresee the extent to which they will be superseded by it.

CHAPTER XVI

COAL

ONE of the fundamental changes brought about in the Industrial Revolution was the substitution of machine production for hand work. Machines were driven by power, and at first this was supplied by running water; the superiority of steam as a source of power was realised in course of time, and its use involved a demand for iron for the construction of engines and machines, while coal was required for driving them.¹ Great Britain possessed an abundance of coal and iron; had this not been the case she could hardly have achieved industrial pre-eminence.

Coal had been used to some extent for centuries for household purposes; it would have been used more extensively had not the difficulty of transporting it been very great. The growing scarcity of other kinds of fuel in the eighteenth century brought it into great demand, and in course of time its utility in various directions was recognised. With the growth of towns, coal was in great demand for domestic purposes, and, after the invention of the steam engine, for driving it. Railways and steamships in the nineteenth century could not have been worked without coal. For a long time it was regarded as unsuitable for the smelting of iron ore, since the sulphur from the coal joined with the iron and rendered it brittle, but, as described in the next chapter, the problem was solved when Darby converted the coal into coke before using it in his smelting furnaces.

Since the middle of the nineteenth century great advance has been made in the isolation and utilisation of the substances contained in coal-tar, a by-product of the coking process. William Henry Perkins in 1856 discovered a method of preparing aniline dyes from coal-tar, and thus laid the foundation for an industry of great importance in connection with textile development. Numerous dyes, drugs, essences, perfumes, solvents, oils, and fertilisers are among the commodities now derived from coal, to which, also,

¹ Coal was mined, or, perhaps, quarried, in Roman times. There was probably little mining in Saxon and Norman times, but the industry developed in the Tyne region during the thirteenth century, and sea-coal was shipped to London, where it was used chiefly for domestic purposes. By the fourteenth century coal was being raised in Northumberland, Durham, Yorkshire, Lancashire, Staffordshire, and South Wales. In course of time coal was exported to the Continent.

modern industry is indebted for materials for such varied purposes as roofing, road-making, and photography.

Many difficulties had to be overcome before coal mining could become an industry of the first rank. To sink a pit is to dig a well. Water from the surrounding soil drains into the pit, and it is impossible to work a coal seam unless pumping is carried on continuously. Before the eighteenth century water was pumped from the mines by hand. In the early years of the eighteenth century Newcomen invented a steam engine which was used for pumping; towards the end of the century it was superseded by an improved engine invented by James Watt. Steam-pumping made possible the sinking of deeper shafts.

Coal, as is well known, is found in seams, and the task of the miner is to cut the seam out entirely. This would lead to the collapse of the "roof" above the seam unless measures were taken to support it. In the eighteenth century it was usual to work on the pillar-and-stall system, by which pillars of coal were left standing here and there as the seam was penetrated. When the seam was completely worked and was to be abandoned, these pillars were removed. The pillar-and-stall system is still in use, but an alternative method in vogue in many places to-day is the long-wall system. Under this method the work is carried on upon the whole face of the seam, but it is equally necessary to take precautions against a possible collapse of the roof. It became usual after 1810 to support the roof of the workings with stout baulks of timber.

The problem of ventilation presented great difficulty before the invention of the exhaust fan in 1837.¹ In every mine there are now two shafts,² and all galleries are connected with both. In one shaft an upward draught is created by fans, with the result that a current of air passes down the other and through the

¹ The gases which escape from the coal strata include methane, commonly called marsh gas (CH_4), which is known as fire-damp; air mixed with only five to six per cent of this gas forms an explosive mixture. When an explosion occurs carbon dioxide (CO_2) is formed; this is suffocating in character, and is known as after-damp. Choke-damp may consist of either carbon dioxide or the insidious carbon monoxide (CO), which is poisonous. The presence of carbon monoxide cannot readily be detected by the senses; it is dangerous, and often fatal, in its effects. Explosions are frequently caused also by a mixture of coal dust and air. The danger of explosion from this source is minimised by the spreading of calcium carbonate (CaCO_3) in the form of a fine powder, which acts as a deterrent.

² The provision of two shafts for every mine was made compulsory after 1862. The law on the subject was strengthened and extended in 1887. Many mines have more than two shafts.

galleries. Closely connected with the problem of ventilation is that of lighting, for the fire-damp which escapes from the coal strata is explosive, and it is dangerous to use naked flames in a mine. Yet a flame cannot be entirely enclosed, since a supply of oxygen is necessary for its maintenance. The invention, by Sir Humphry Davy in 1815, of the lamp which bears his name overcame this difficulty. The use of wire gauze in the construction of the lamp made it possible for air to reach the flame, and as flame will not pass through the cold gauze the outside gases cannot be ignited. In more recent years electric light has been used for the illumination of all the more important galleries. Portable electric lamps are used in the many places in a mine to which the wiring has not been extended, but one or two flame-lamps are carried in order that, by the "cap" of burning gas within the gauze, the presence of fire-damp may be detected.

The raising of the coal to the surface presented yet another difficulty which was not overcome satisfactorily until nearly the middle of the nineteenth century. Steam engines were sometimes used for this purpose,¹ but the hempen cables used in the work were expensive and not very durable. In many pits ladders were fastened to the sides, and coal was carried up by women and children in baskets slung over their shoulders. The invention of a wire cable in 1839 made it possible to dispense with this primitive method of raising coal, and in 1842 the employment of women and young boys in mines was prohibited by law.

A further difficulty which has been met with in mining is the increase of temperature which is encountered as the depth increases. This increase is by no means uniform; it averages about one degree Fahrenheit for every twenty yards of depth. It is a factor which imposes a limit of depth beyond which mining is impracticable. It is possible, however, for the temperature to be reduced by the artificial cooling of the air which is introduced into the mine.

In earlier times the demand for coal was limited on account of the expense occasioned by the difficulty of transporting it. Whenever possible it was sent by sea; there was little difficulty in sending coal from Newcastle to London. But towns which were well away from the coast or from a navigable river found it hard to get supplies. The coal was often carried in panniers by mules or horses, a method of transport which added greatly to its cost. The construction of the canal system and, later, of the network of

¹ A Boulton and Watt engine built in 1784 for the work of raising coal out of the pit is said to have continued in use for eighty years.

railways made it possible for coal to be moved, at no great cost, to all parts of the country.

During the nineteenth century the exhaustion of seams nearer the surface has led to the sinking of deeper shafts,¹ and it is not to be supposed that the limit of depth at which coal can be economically worked has been reached. Lateral burrowing has been extended, and tunnels two miles in length are not unknown. Coal-cutting machinery has been introduced, and various other appliances are in use to reduce the amount of human labour required.

Little attention was paid, by the Government, the public, or the mine-owners, to the conditions under which mining was carried on in the eighteenth and early nineteenth centuries. Men, women, and children worked underground for as long as thirteen or fourteen hours per day—men at cutting the coal, women and children at hauling it along the passages and carrying it to the surface. Wages were higher than in other occupations, and people who worked underground, unlike those in some other occupations, did not suffer from malnutrition. Mining was not regarded as unhealthy, though it was dangerous, and serious accidents were common.²

Scottish miners in the eighteenth century worked in far worse conditions than those of England. They, with their wives and children, were compelled to work in the mines; they might not leave, and if they ran away they could be arrested and imprisoned. Brass collars, on which were engraved the names of their employers, were fastened round their necks. If the mine was sold to a new owner the miners were sold with it. Such a state of affairs was worse than English serfdom in the Middle Ages, for if a runaway serf could evade capture for a year and a day he could not afterwards be taken, but Scottish miners could not win their freedom in this way. They were slaves rather than serfs. Their normal wage was, for men, tenpence, and for women, threepence, per day. Some relaxation of the system was brought about in the last quarter of the eighteenth century, but it was not entirely abandoned till the end of the century.

As stated above, the labour underground of boys under ten and of women and girls of any age was forbidden in 1842, and a system of

¹ Before the invention of Newcomen's engine no shaft exceeded one hundred and twenty yards in depth. To-day, a depth of a thousand yards is not uncommon; a shaft of over twelve hundred yards has been sunk in England, and in Belgium mining is carried on at a depth of four thousand feet.

² Until after 1815 it was not the practice to hold inquests on miners killed underground.

inspection of mines was established in 1850. Coal Mines Regulation Acts were passed in 1860, in 1872, and in some subsequent years, and in 1881 the Home Secretary was empowered to hold inquiries into the causes of accidents which occurred in mines. In 1896 an act was passed to deal with the use of explosives in blasting. An Eight Hours Act, passed in 1908, limited the hours of working in the mines to eight per day. From time to time the minimum age at which boys were permitted to work underground was raised.¹ The whole of the law relating to coal mining was codified in the Coal Mines Regulation Act, 1911. By this act (which was amended in some details by a further act in 1914) many topics, including the provision of shafts, roof supports, and machinery, the use of explosives, ventilation, safety precautions, procedure in cases of accident, and the inspection of mines, were dealt with.

The miners were by no means satisfied, and after the war of 1914-18 a Royal Commission, presided over by Sir John Sankey, a Judge of the High Court, was appointed to inquire into the conditions prevailing in the industry. Three interim reports were presented by sections of the Commission in 1919. The first report, besides proposing an immediate reduction of working hours to seven per day and an ultimate six hours day, together with an increase in wages, was critical of the existing system of mine ownership, and recommended in rather guarded terms that the mines should be nationalised; the second report went farther, suggesting an immediate six hours day with a thirty per cent increase in wages, and explicitly recommending nationalisation; the third report opposed nationalisation and shorter hours, and refrained from making any recommendation on wages. In a final report, issued in 1920, the Chairman of the Commission recommended nationalisation—that the mines be purchased by the State. The Government acted upon none of these recommendations, though its inaction may be regarded as tacit acceptance of the third of the interim reports, and for many years the mining industry remained in a disturbed condition.

Industrial depression in the early twenties led to a falling off in the demand for coal, with consequent unemployment among the miners. The mine owners contended that it was necessary to reduce the price of coal, and that this could be done only by reducing wages. To this, naturally, the miners were opposed,

¹ It was raised to twelve in 1872, to thirteen in 1900, and to fourteen in 1911. When the provisions of the Education Act of 1944 relating to school attendance are in full operation it will not be lawful for any boy under sixteen to work in a coal mine.

and strike action was averted only by the provision of a state subsidy, between July, 1925, and April, 1926, for the maintenance of wages at their existing level. Another Royal Commission, this time presided over by Sir Herbert Samuel (afterwards Lord Samuel) reviewed the condition of the industry. It condemned the subsidy and recommended its discontinuance, but it advocated the purchase by the State of the royalties paid to landowners under whose land coal was being mined; it recommended a working day of seven and a half hours, the provision of pithead baths, the granting of annual holidays with pay, and the establishment of a system of profit-sharing; but it refrained from proposing nationalisation of the mines, holding that they should remain under private ownership and management.

This last finding made the Samuel report unacceptable to the miners, who, ever since the Sankey Commission, had been hoping for the end of private ownership. At the same time the Prime Minister, Mr. Baldwin, declared that the subsidy would be discontinued at the end of April, 1926. The owners announced that wages would be lowered, and the miners ceased work.

Sympathy with the miners led to the calling of a general strike in all the major industries of the country, but in little more than a week the general strike collapsed. The miners remained idle for many weeks, but at last they were forced through the exhaustion of their funds to return to work on the owners' terms. The Coal Mines Act of 1926 permitted an increase of the hours of work below ground by one hour per day, though by another act, the Mining Industries Act of the same year, some of the Samuel Commission's recommendations were adopted.

In course of time conditions of work in the mines improved, but the miners remained discontented, and it became clear that they would never be satisfied while the mines remained in private ownership. It was not until after the establishment of the Labour Government in 1945 that their long-deferred hope was realised. In 1946 a Coal Mines Nationalisation Act was passed. A National Coal Board, consisting of nine persons appointed by the Minister of Fuel and Power, was established to take over the mines, and a scheme of compensation for the mine owners was arranged. The National Coal Board was made responsible for the working of the mines, and for the supply of coal to industrial and domestic consumers, and it also took control of various allied and subsidiary activities. The Act came into force on 1st January, 1947, a day which was celebrated by the miners as a day of emancipation from the trammels of a system that they hated.

While the mines remained in private ownership it was common for some of the men to be absent from work for one or two, or even more, days each week. "Absenteeism" became a serious problem; it involved a substantial diminution in the amount of coal raised to the surface. In May, 1947, four months after the Coal Mines Nationalisation Act became effective, a five-day week was introduced in the industry.¹ Miners were to work only five days in the week and were to receive the wage they had formerly earned in six days. It was hoped that absenteeism would be reduced, if not eliminated altogether, and that the amount of coal won would not be lessened. It is not possible, at the time of writing, to state whether this hope will be realised.

¹ In the autumn of 1947 the urgent need for more coal than was being produced led to the introduction, as a temporary and voluntary measure, of an eleven-day fortnight.

CHAPTER XVII

IRON, STEEL, AND ENGINEERING

IRON has been produced in this country from very early times.¹ Smelting² was carried on in Roman times and throughout the Anglo-Saxon period, and reference was made in Domesday to the existence of ironworks in several parts of the country. The industry flourished during the Middle Ages. Iron and steel were used extensively for chain and plate armour, and, in and after the fourteenth century, for cannon.³ The demand for the metal was so great that production at home had to be supplemented by import.

Until nearly the middle of the eighteenth century charcoal was used for the smelting of iron, and to the extravagant use of timber for this purpose was due, in no small degree, the destruction of the forests which formerly covered a large part of the country. It was found to be more convenient to transport the ore to the forests than to carry the timber to the iron-field. Smelting was carried on in various parts of the country, of which the most important were the Weald,⁴ the Forest of Dean, and the Wrekin district of Shropshire. The importance of timber for naval construction was so great that several acts were passed in the Tudor period to prevent the entire disforestation of the iron-smelting regions, and, though these acts may not have been enforced very rigidly at first, the restrictions on the use of timber for smelting were so definite by the eighteenth century that the industry declined almost to the point of extinction. By 1740 the annual production of iron in Great Britain was less than 18,000 tons, and the country was learning to rely upon the import of iron from Sweden, Russia, the American colonies, and elsewhere.

Attention was directed to the possibility of using pit-coal in

¹ Iron exists in nature in ores which contain a varying percentage of the metal together with oxygen, silicon, sulphur, and other materials. A rich ore may contain as much as seventy per cent of iron. Ores with less than twenty-five per cent are not worth working, and ores with no more than thirty per cent of iron can be worked profitably only if attendant circumstances, such as accessibility and proximity to a supply of coal, are favourable.

² Smelting is the process of separating the iron from other minerals. The ore is mixed with fuel in a blast furnace. As a result of the high temperature of the furnace the iron melts and is drawn off into moulds. Pig-iron is thus obtained.

³ Cannon are said to have been used at the Battle of Crécy, 1346.

⁴ The railings which surrounded St. Paul's Cathedral were made of iron smelted in the Weald.

place of charcoal in the process of smelting; as stated above, for a long time coal was considered to be unsuitable for the purpose, since sulphur from the coal joined with the iron and rendered it brittle. Early in the seventeenth century one Dud Dudley claimed to have overcome this difficulty; if he really succeeded, a matter on which some doubt has been cast, his secret died with him.

Early in the eighteenth century Abraham Darby, of Coalbrookdale, discovered (or rediscovered) the process of converting coal into coke and of using coke in the smelting of iron. His son, Abraham Darby, carried on the process after 1730, and made use of sand instead of loam for the moulds. The Darbys tried to monopolise the process by keeping it secret, and for a long time they succeeded. By the second half of the eighteenth century it became generally known; the production of cast iron increased to a remarkable extent, and cheap and abundant supplies were available henceforth for the engineering industry. One result of the change of process was that ironworks ceased to be associated with the forests and were established on the coal-fields, especially of the Clyde Valley, Yorkshire, South Wales, and the Black Country. Nevertheless, charcoal smelting disappeared slowly;¹ it continued to be carried on, to a steadily diminishing extent, until the early years of the nineteenth century.²

The production of cheap and abundant wrought iron, or malleable iron, from cast iron, was due to Henry Cort, who in 1784 perfected the processes of puddling and rolling. Cort was not the first to use rollers, but he improved upon the ideas of previous experimenters. The pig-iron was heated with coal and stirred, or puddled, until impurities had been cast out. The metal was then passed between rollers, and became malleable. Sheets of iron of any required thickness could be produced, and these could be used in the construction of ships, tanks, etc.

One of the great difficulties of eighteenth-century ironmasters was to contrive an effective blast for the furnace. Darby made some experiments in this direction, and by 1760 Roebuck was using an improved blast at the Carron Ironworks. In 1790 the steam engine was used to cause the blast. Various improvements followed, and in 1828 Neilson invented the hot blast, the effect of which was to make the process of smelting much more rapid and to diminish substantially the amount of fuel required. Before

¹ It was believed that iron and steel which had been smelted with charcoal were specially suitable for the fashioning of surgical instruments; this helped to keep the charcoal-smelting industry in existence.

² The last charcoal-smelting furnace in Sussex was extinguished in 1827.

many years a blast at a temperature of 570° Fahrenheit was used, and by 1860 this had been increased to 1,600° Fahrenheit. The blast was heated by utilising the (hitherto) waste gases of the blast furnace itself.¹

During the latter part of the eighteenth century a number of ironmasters became active in bringing to the notice of the public new uses for their product. Of these Wilkinson, who had iron-works at Bersham and Broseley, is perhaps the best known. Many of his ideas, regarded at the time as fantastic, have since been put into practice. Iron bridges and iron barges were built by him, and he proposed the use of iron for the construction of houses, ships, and roads; at his death he left directions for his burial in an iron coffin!

The development of the production of iron in Great Britain was assisted by the imposition, towards the end of the eighteenth century, of duties on iron imported from Sweden and Russia. These became ultimately so heavy as to be prohibitive. Huskisson reduced them substantially in 1825, but the industry was by this time so well established that the reduction (and subsequent abolition) of the duties failed to affect it prejudicially. A tremendous demand for iron and steel products was caused by the construction of railways in this and other countries,² by the substitution of iron and steel for timber in the building of ships, and by the ever-increasing use of machinery and engines. Until 1890 Great Britain remained the leading iron- and steel-producing country in the world. In that year her output was exceeded by that of the United States, but it was not until 1903 that Germany also surpassed her in volume of production.

It has already been indicated that iron was extracted from the ore in the blast furnace; the resultant product, known as pig-iron, was either re-smelted in the cupola for castings, or was stirred in the puddling furnace and then rolled in order to be fashioned into such malleable products as bars, rails, and plates. The vital difference between cast iron and wrought iron lay in their carbon content. Wrought iron was free from carbon, or nearly so, and was malleable. With a high percentage of carbon—two to five per cent—the metal was brittle, and was known as cast iron. Steel was produced from iron with a moderate percentage of carbon—

¹ In modern iron and steel works the utmost possible use is made of these "waste" gases in the generating of heat for various processes, with the result that great economy of fuel is achieved, and costs of production are lowered.

² The materials for many foreign and colonial railways were manufactured in Great Britain.

one to one and a half per cent. It had been known for centuries, but ironworkers had been unable to control the amount of the carbon content, and their product was often very defective.

During the nineteenth century great advances were made in connection with the production of steel. In 1855-6 a process was evolved by Henry Bessemer for the production of malleable iron and of steel without making use of the process of puddling. A very powerful blast was used to burn out the impurities from molten pig-iron. This caused the rapid oxidation of the carbon, silicon, and manganese, and to the pure iron thus produced was added a quantity of spiegeleisen,¹ an alloy of iron, manganese, and carbon. The percentage of carbon in the resultant steel was thus known, and it could be varied according to the purpose for which the metal was required.²

Bessemer steel was immensely superior to malleable iron. It was more uniform in quality, more reliable, stronger, and cheaper; it could be produced rapidly and in great quantities. In course of time it replaced malleable iron for rails, girders, plates, and other things, and the production of wrought iron diminished as that of Bessemer steel increased. This technical development had the important economic consequence in Great Britain that many millions of capital had to be scrapped in the conversion of iron-works to steelworks.

Bessemer lined his converter with acid material, and it was found that his process was ineffective in eliminating phosphorus from the iron. For the production of acid steel, as it was called, non-phosphoric ores³ were required. British ores, except the hematite ores of Cumberland and North Lancashire, contain an appreciable percentage of phosphorus, and it became necessary to import non-phosphoric ores from Sweden and Spain.⁴

¹ Subsequently, ferro-manganese was often used in place of spiegeleisen.

² In later years small quantities of other metals have been added to the steel. Titanium and vanadium remove air-bubbles by combining with oxygen and nitrogen. Silicon and aluminium reduce any carbon monoxide left in the metal to carbon by combining with oxygen.

³ A non-phosphoric ore is one which contains less than .03 per cent of phosphorus.

⁴ The chief regions in which non-phosphoric ores are found are, in Great Britain, Cumberland, North Lancashire, and the Forest of Dean. They exist also in Spain and Sweden, and near Lake Superior in North America. Phosphoric ores are much more common. They are found in many parts of the British Isles, including the Cleveland District, Lincolnshire, Rutland, North and South Wales, Staffordshire, and Northamptonshire. On the continent of Europe they exist in Lorraine and Luxembourg, in Styria, in Russia, in Spain, and in Scandinavia.

For many years metallurgists were engaged in searching for a process by which phosphorus might be removed from the ores in order that the phosphoric ores of this country might be used in the production of steel. Attempts were made by Snelus to use a converter lined with basic materials (lime, magnesia, and clay), but without success. The problem was solved by Sidney Gilchrist Thomas, an amateur chemist without practical knowledge of metallurgy, working in conjunction with his cousin, Percy Gilchrist, a metallurgist. They lined the converter with another basic substance (dolomite) and clay, and by 1878 sufficient experimental work had been undertaken to demonstrate the success of the process. One result of the development of the Gilchrist-Thomas process was that the minette ores of Lorraine and Luxemburg, which contained a high percentage of phosphorus, and which had hitherto been almost valueless, could be used in the building up of a great German steel industry. Phosphoric ores in other countries also could be used in the production of basic steel. This increase in the supply of ores from which steel could be produced led to a remarkable fall in the cost of the product and a great extension of its use.¹

Another process for the production of steel was perfected by Sir William Siemens in 1867, when he succeeded in manufacturing acid steel from pig-iron melted with ore in the hearth of a shallow furnace lined with silica brick. Experiments on similar lines were carried out at Sireuil, in France, by Pierre Martin. He used iron and steel scrap instead of ore, and by manipulating the materials with which the furnace was fed he was able to control the carbon content of the metal. The discoveries of Gilchrist and Thomas were applied to the Siemens-Martin process as well as to that of Bessemer: the open hearth was lined with basic materials, and basic steel was produced.

The open-hearth process appears to be superseding that designed by Bessemer. So long as the production of steel can be carried on at a profit by the latter method, manufacturers will be reluctant to undertake the expensive reorganisation involved in a change from the one process to the other. But in new works the Siemens-Martin open-hearth method is usually applied, and it can be only a matter of time before the use of the converter becomes obsolete. There can be little doubt, too, that future production will be chiefly of basic steel, because of the abundance

¹ A by-product of the Gilchrist-Thomas process, basic slag, is ground to powder, and in that form it has been found to possess valuable fertilising properties.

and cheapness of phosphoric ores, and (a not insignificant factor) the value of the by-products. For many years the world's production of acid steel has remained stationary while that of basic steel has increased.

An electric furnace for the smelting of iron was devised as far back as 1878 by Sir William Siemens, and it has since been used, though not on a large scale, in the production of steel. It possesses the advantage of developing a very high temperature—as high as 3,500° Centigrade has been reached. But it would be able to compete with the blast furnace only if current were available at extremely cheap rates. Nevertheless, it is of great use when steel of specially high quality is required in only moderate quantities.

It cannot be assumed that the age of steel will last for ever. Many alloys have been invented that are superior to "pure" steel. By the addition to steel of certain quantities of nickel, chromium, manganese, tungsten, molybdenum, or vanadium greater toughness is secured, and a fine cutting edge can be obtained on machine tools. The addition of chromium to steel makes the product rustless. An alloy of steel and aluminium is light and strong and is specially useful in the construction of aircraft. The science of metallurgy has not yet said its last word.

A kind of steam pump was invented by Thomas Savery in 1698, but it was not widely adopted. Thomas Newcomen's engine was invented in the early part of the eighteenth century, his first patent being taken out in 1705. The engine was defective in several ways. Its power was not great, it was extravagant in fuel consumption, and it was unreliable and even unsafe. Nevertheless, Newcomen's engines were widely used during the eighteenth century for a variety of purposes, and especially for pumping water out of mines. Improvements were made by John Smeaton and by James Watt.

In 1782 Watt patented an engine constructed on a new principle, working on what was known as the rotary, or planetary, movement; it was more economical in fuel and more efficient in action. Some of the credit for its success was due to Watt's partner, Matthew Boulton,¹ who succeeded in boring cylinders accurately.² Watt's engine was applied to pumping and to the driving of machinery, but it was not brought into general use very quickly, since the

¹ The partnership of Matthew Boulton and James Watt was singularly satisfactory, Watt bringing to the combination inventive genius while Boulton trained his men in accuracy of workmanship. Boulton was a good business man, who established the works of the firm at Soho, Birmingham, on a sound basis.

² The credit for this achievement is also assigned to Wilkinson.

construction of the engines was monopolised by the firm of Boulton and Watt,¹ which held the patents and was able to produce only a limited number of engines each year.

The economic importance of the steam engine cannot be over-rated. It is capable of working efficiently, economically, and reliably, and its success is not dependent upon a number of extraneous favourable conditions. Power can be produced by the waterwheel or by the windmill; when the stream freezes or dries up the former is useless, as is the latter whenever the wind drops. But the steam engine is tireless and can be run for an indefinite period without intermission. The power produced by it can be applied in many ways. It can be used for pumping water out of mines, for operating cranes, for driving machinery, for haulage on road or railway, and for driving steamships.

At first the construction of engines and machines suffered much from inferiority of workmanship. The earliest mechanics were men who had been trained as blacksmiths or wheelwrights or carpenters. Any one with some degree of skill in the use of tools might turn to engineering, and in course of time a body of skilled engineers came into existence. When, in the eighteenth century, a machine was set up in a factory there was no certainty that it would work until it was overhauled, nuts were tightened or eased, packing was introduced, and parts were filed down; and even then breakdowns were common. With the invention, in the second quarter of the nineteenth century, of such machine tools as lathes, steam hammers, planing machines, and punching machines, it became possible to make the parts with such a degree of accuracy that they fitted together at once, and the machine worked smoothly as soon as it was assembled. Spare parts could be made with equal accuracy, and if any part of a machine became damaged it could be replaced quickly, so that the machine did not stand idle for long.

¹ With three or four other firms which made engines or parts under their licence. By 1800 there were eighty-four Boulton and Watt engines in use in Great Britain.

CHAPTER XVIII

ROADS AND CANALS

FOR many centuries English roads were in a most unsatisfactory condition. The amount of travelling which was undertaken in the Middle Ages, though not altogether insignificant, was insufficient to warrant the construction of a system of good roads, and neither national nor local authorities devoted serious attention to the problem. Road maintenance was encouraged by the Church, and the repair of the roads was sometimes undertaken by monasteries. No effort was made by the State to improve them until the year 1555, when a law was passed by which responsibility for the repair of the roads in each parish was imposed upon two surveyors appointed by the parishioners; every man in the parish who owned land worth fifty pounds might be called upon to contribute materials and tools and to provide six days' labour on the roads per annum. The Act was not rigidly enforced, and at the beginning of the eighteenth century the roads of this country were in little, if any, better condition than in the Middle Ages.

Before the eighteenth century it would not have been possible, either technically or economically, to construct a system of good roads in all parts of the land.¹ Technical skill in road construction was lacking, and, though it might have been acquired by experience, population was small and wealth insufficient for such an undertaking. The establishment of a network of good roads could not be undertaken until the country could afford it and until there was a clear indication that they were needed.

Before the improvement which is described below took place, even main roads, which connected important towns, were in wet weather nearly impassable on account of mud. When repairs were undertaken a wrong principle was sometimes followed in making the camber of the road too steep. Possibly the road-menders expected that water would flow to the sides from a steep inclination more readily than from a slight slope, but they overlooked the fact that vehicles must necessarily keep to the crown

¹ In view of this argument it may seem remarkable that good roads were constructed in all parts of the Roman Empire. In this case it should be noticed that technical skill had been gained by experience and that the economic factor did not arise. Labour was supplied by slaves, and land and materials were seized by force and without compensation to their owners.

of such a road, and that the wheels of all carriages and wagons would run on the same part of the road. Ruts were caused which steadily deepened, and mud was generated once more. Travellers found it easier to go from place to place on horseback than by carriage, while goods were conveyed on pack-horses or pack-mules more frequently than by wagon, unless, indeed, it was possible to send them by water. The navigable rivers of the country were extensively used for inland traffic.

Improvement in the condition of the roads was brought about in a characteristic eighteenth-century way. To-day, nobody would doubt that the maintenance of the roads should be the duty of a public authority; at a time when there was widespread disinclination to extend the scope of State activity and a growing belief in the virtues of a policy of *laissez-faire*, it was thought that the care of the roads might safely be left to private enterprise. Turnpike trusts came into existence. A wealthy man, or a group of men, received the right of controlling a stretch of road. It was put in order and maintained in a more or less satisfactory condition, and gates were erected at each end of the section. For every person, every animal, and every vehicle using the road a toll had to be paid, and the money so received, over and above the cost of keeping the road in repair, became the profit of the turnpike trust. The principle was thus set up that the cost of the maintenance of roads should be a charge upon their users and not upon the public at large.

The first Turnpike Act was passed in 1663, in the reign of Charles II, but the system did not become at all common until the time of George II. In 1745 difficulties of communication hindered the Government in checking the progress of the Young Pretender in his march to Derby. Possibly the alarm caused by the Jacobite revolt stirred the nation to greater activity in road maintenance, for Turnpike Acts became more common after this event, and over four hundred and fifty such acts were passed between 1760 and 1774. The system thus established did something towards giving the country good main roads, though as late as the early years of the nineteenth century complaints about the condition of the roads were common. To some extent these criticisms applied especially to the by-roads and country lanes, on which there was little traffic and in which the turnpike trusts were not interested. But Arthur Young, a well-known traveller of the period, criticised some of the turnpike roads also, and mentioned instances of roads in which ruts four feet deep were to be found. Nevertheless, by the latter part of the eighteenth

century the improvement in the main roads was such that large towns were linked up by regular coaching services.

Some advance was made in methods of road construction towards the close of the eighteenth century and in the early part of the nineteenth. John Metcalfe built many long stretches of road in the north of England, and Thomas Telford constructed hundreds of miles of road in Scotland and in the north of England. John McAdam introduced the plan of imposing a surface of small angular pieces of granite, well rolled in, upon a good foundation. The camber of macadamised roads was slight, so that wheeled traffic was able to spread uniformly over the surface of the road, and wear and tear was not confined to the middle. This type of road proved so successful that the method continued in use until a few years ago, and it is still employed to some extent for by-roads.

During the first half of the nineteenth century there was a movement for the amalgamation of turnpike trusts. Larger authorities, which had control of more ample funds, were able to employ more highly skilled surveyors, and greater efficiency in road construction resulted. But evil days were to come. The turnpike trusts had to meet the "calamity of the railways." The amount of traffic on the roads declined, and the revenue of the trusts diminished. One by one they disappeared, and the duty of repairing roads devolved upon local authorities.

In the reorganisation of English local government which was undertaken towards the end of the nineteenth century the responsibility for the maintenance of roads was apportioned among county councils, borough councils, and district councils. Since the beginning of the twentieth century roads have been invested with a new importance on account of the development of motor traffic. This has increased in volume and weight and speed to such an extent that the old methods of road construction have proved altogether inadequate for present-day needs. The revenue from motor taxation has been assigned in part to road construction and maintenance. Great advance has been made in methods of road-making, and various materials have been tried in the attempt to produce a durable surface. Good results have been obtained from the use of concrete, when laid upon a substantial foundation. But foundations have not always been strong enough, and the road-maker of the future will have to dig deeper if roads are to be adequate to the demands of modern traffic.

No improvement in the road system was adequate to meet the demand for better means of transport of heavy and bulky goods

occasioned by industrial expansion in the eighteenth century. The need was met in the earlier stages of the Industrial Revolution by the construction of canals. One of the earliest of the canals was that which connected the Aire and Calder; this was completed before the end of the seventeenth century. It was an artificial waterway on which barges could be towed, and it contained several locks. It has always been maintained in good condition and it remains in use to-day. In the years 1720-1 straight courses were cut across a number of loops in the Rivers Irwell and Mersey, thus simplifying water communication between Liverpool and Manchester, and several other works of a similar character were undertaken in the next thirty or forty years. But they were all connected with the widening, deepening, or straightening of rivers.

The Bridgewater Canal was planned and built by James Brindley, and was financed by the Duke of Bridgewater, between 1759 and 1761. Brindley aimed at keeping clear of rivers, so that his canal would be unaffected by either floods or droughts. The canal was in a sense experimental, for great engineering difficulties had to be overcome; in order to avoid contact with the River Irwell it was carried over that stream by a bridge. The canal connected Manchester with the Duke's colliery at Worsley, and was intended to facilitate the carriage of coal from the mine to the great city. It was in every way successful. Coal was cheapened in Manchester, and in after years the Duke made a large fortune by its sale. A second canal was constructed, to connect Manchester with Runcorn and Liverpool. The difficulties encountered in connection with this enterprise were concerned not only with engineering but with finance. Few people in Lancashire believed that it would ever be completed, and they would not invest their money in it. The Duke of Bridgewater had to visit London in order to raise funds to carry on the work.

Brindley's success stimulated the construction of canals in other parts of the country. It is unnecessary to enumerate the waterways which were cut during the next forty years (1760-1800) and especially during the period of the "canal mania," 1791-7; it is sufficient to state that by the end of the eighteenth century England was covered with a network of canals. Existing waterways, the rivers, were used as far as possible; they, as distinct from canals, were known as inland navigations. A good deal of work was undertaken in improving river navigation in connection with canals, which were planned to connect points at which rivers ceased to be navigable.

No assistance was rendered by the State in the construction of canals;¹ the work was undertaken and financed by private companies. This was to be expected, in view of the prevalence of *laissez-faire* philosophy; it accounts for the lack of uniformity which has been such a singular, and regrettable, feature of the system. The canals vary in width, depth, height of bridges, and dimensions of locks, and this has made the working of through traffic difficult. It is more economical to transport goods in large barges than in small, but only barges of twenty tons can traverse the whole system. The canal companies did not carry goods. They imitated the turnpike trusts in that they provided a way which might be used by anybody who paid the required tolls.² If the canal companies had from the first been carriers they would quickly have realised the necessity for providing for through traffic. The smaller canals would have been widened and deepened while it was still possible to carry out the work. In more recent years, since the need has been realised, the cost of such reconditioning has been prohibitive.

With all their defects the canals provided a better system of transport than any that had hitherto been available; without them, industrial development would have been impossible. Food was conveyed by them from the agricultural areas in the south and east to the large towns in the north and west.³ Raw materials were moved into the factory districts by canal; for example, the clay used in the manufacture of china was transported to the Potteries from Cornwall, for a part of its journey, by canal. Manufactured goods were sent to all parts of the country and to the ports by canal, and the problem of moving coal was solved in this way. A good deal of traffic which hitherto had been sea-borne was sent by the new waterways.

The canal companies enjoyed great prosperity for many years; they were able to pay substantial dividends on their ordinary stock, and nothing occurred to stimulate them to improve the system. With the coming of the railways they declined in importance and prosperity; some amalgamations were brought about,

¹ The construction of the Caledonian Canal and the Crinan Canal, in Scotland, was undertaken by the State, but the object in these cases was not primarily commercial.

² The system of tolls was at first simple, but in the course of the nineteenth century it became more complex. The classification of goods was similar to that on the railways, and tolls, like railway rates, were tapered for distance.

³ This extension of the market for agricultural produce exercised a markedly beneficial effect on agriculture.

and a few companies became carriers.¹ But it was too late for them to put their house in order. It is doubtful whether they could in any case have withstood the competition of the railways, which were speedier, more punctual, and in many ways more convenient. Railway trucks could be run direct from the pit-mouth to the wharf, and the work of bunkering ships was simplified to an extent which was impossible while the coal was conveyed by canal. The canals suffered from competition in another direction. They had secured much traffic from eighteenth-century coasting ships; they lost it again to nineteenth-century coasting steamers.

Some of the competition which the canals had to meet was of a type which is sometimes termed "unfair" (though it is difficult to justify the application of the adjective in its ethical significance). Railway companies bought up some of the canals in order to eliminate competition, and when this involved the purchase (and possibly the closing) of a "strategic" link other canals were affected, and the system as a whole was weakened. Such action was detrimental to the canals in another way, in that it provided an additional obstacle to their reconditioning and unification and to the quotation of through tolls. Altogether, about one-third of the mileage of the canals passed under the control of railway companies.

There has been a good deal of controversy about the character and extent of this "unfair" competition. In defence of the railway companies it is contended that they did no more than act in self-defence. A canal company might enter an objection to a proposed railway scheme in the expectation that the railway company would be forced to buy off the opposition by acquiring the canal. Some canal companies contemplated the conversion of their undertakings into railways. In several cases parliamentary powers were obtained, and in one or two instances the conversion was effected. The charge against railway companies of closing canals can be substantiated in very few instances, and in general it is maintained that railway canals have been kept in better condition than independent canals.

The supporters of the railway companies assert, with some degree of plausibility, that the decline in the prosperity of canal undertakings ought not to be attributed to unfair action by the railways. They contend that, leaving the inherent inferiority of canals to railways out of consideration, the misfortunes of the canal companies should be attributed to their failure to maintain

¹ In 1845 power to become carriers was given to the canal companies generally; few took advantage of it.

their undertakings in condition and to keep abreast of modern requirements, to their sluggishness and lack of organisation, and, above all, to their own loss of faith in the value of the means of transport which they control.

In 1888 the further acquisition of canals by railway companies was prohibited without statutory authority. This was too late, if it was desired to retain a distinct canal system capable of competing with the railways, since many purchases had been made. The Act merely prevented the completion of the process of bringing them under railway management; if this had been encouraged instead of prohibited, the canals might have been remodelled and unified.

Towards the close of the nineteenth century freight difficulties at Manchester induced a number of Lancashire business men to form a company for the construction of a ship canal from Liverpool to Manchester. The canal, which took six years to build, and is thirty-six miles in length, is a miracle of modern engineering. It is well equipped in every way, and ocean-going ships come up to Manchester with their cargoes. The volume of traffic borne on the Manchester Ship Canal is such that Manchester ranks as the seventh port in the kingdom,¹ and it is remarkable that this has been achieved without diminishing the amount of trade done through Liverpool.

Canals have not entirely lost their usefulness. They are still used for the conveyance of heavy and bulky goods, for which speed of transport is not essential. It has, indeed, been asserted that their decline has been relative to the advance of the railways, and not absolute. But this conclusion has been reached by a rather superficial consideration of statistics of canal traffic. Official returns of the tonnage carried by them were compiled for the years 1888, 1898, and 1905, and a comparison of the totals for these three years seems to indicate an increase in the volume of traffic. But the returns for the earlier years were less complete than that for 1905, and comparison is therefore invalidated. Moreover, the figures for 1905 are swollen by the inclusion of the traffic on the Manchester Ship Canal, which stands in a class by itself. For another reason the returns should be distrusted. Goods passing over more than one canal are reckoned in the returns of each of the companies concerned; there is, in consequence, a degree of duplication in the returns which has been estimated to amount to as much as forty per cent.

¹ By considering the value of the trade in 1937, Manchester ranked as seventh, if tonnage is reckoned, tenth.

In March 1906 a Royal Commission was appointed to inquire into the condition of the canals and inland navigations of the United Kingdom and to make recommendations to the Government. The final report of the Commission was issued in 1909. It considered that the improvement of the "cross" which connects the estuaries of the Mersey, the Humber, the Thames, and the Severn should be a vital feature of any future scheme of reform. Some of the commissioners thought that the canals which made up this cross should be enlarged to accommodate barges of three hundred tons and that the navigations should take barges of seven hundred and fifty tons; others thought that a more modest scheme, for the accommodation of barges of one hundred tons on the canals, with a higher standard for the rivers, would be adequate, and this formed the basis of the Commission's recommendation on the subject. The Commission did not think that the work of improvement could be entrusted to the existing canal companies, and recommended the establishment of a Waterways Board, which should take the canals over from the companies and propound schemes of improvement. (The shareholders in the canal companies would be compensated with stock issued by the Board.) But the Commission was unable to reach any complete and reliable estimate of the cost of carrying out its recommendations, and appeared to doubt whether the public had sufficient faith in the canal system to subscribe the necessary capital for improvements unless the State provided some sort of assistance; it was disposed to recommend the Government to assume financial liability on grounds of general policy rather than on account of any expectation of immediate financial return.¹

That the recommendations of the Royal Commission, if carried into effect, would have been of advantage to local industries cannot be doubted. The carriage of certain classes of goods in the Midlands would have cost much less, but it is at least possible that what the canals gained would have been lost to the railways. The railway companies might have had to reduce their rates in the Midland area to meet canal competition, and their dividends might

¹ The recommendations of the Royal Commission were never put into effect. Political issues of great importance occupied the attention of the Government for some years after the issue of the report. Then came the European War, and subsequent financial difficulties. A Royal Commission on Transport reported in 1930 and expressed in general terms its approval of the reconditioning of the canal system, and its conviction that it might "form a useful component of the national scheme of transport."

have suffered. Only in so far as the proposed improvement in the canal system succeeded in stimulating industrial development and creating new traffic would it have proved of permanent public advantage.¹

¹By the Transport Act, 1947, canals (except the Manchester Ship Canal and the Bridgewater Canal) as well as railways passed under the control of the Transport Commission.

CHAPTER XIX

THE CLASSICAL ECONOMISTS

IN earlier chapters of this book some account has been given of the economic views which prevailed at different times in the course of English History. Medieval economic theory was associated with ethics, and was based upon ecclesiastical doctrine. The principles of Mercantilism, which were accepted from the fifteenth century to the eighteenth, formed the economic counterpart of the spirit of nationalism which grew up after the Middle Ages had passed away. Neither the medieval nor the mercantilist system of economic doctrine owed its acceptance to the work of any one great thinker or of any "school" of economists. The one was put forward with all the authority of the Church behind it; the other was the natural outcome of the conditions which existed during the period of its prevalence.

The student of political philosophy is conscious of the debt he owes to Aristotle, the "Father of Political Science," and the development of the science of politics can be traced in the works of a long line of philosophers who carried on Aristotle's work, criticised it, sometimes misunderstood it and for a time departed from it, added to it, and, in modern times, have learned to appreciate it. There is no corresponding line of economic theorists¹ through whose work the development of the science of economics may be traced to foundations laid by some master mind of ancient times.²

Nevertheless, within the space of less than a century, in a period roughly coincident with that of the Industrial Revolution, several economists gave their thoughts in systematic form to the world. In France, a group of thinkers known as the Physiocrats, of whom the chief was Quesnay, dealt with various aspects of economic theory. In their works Quesnay and his associates and disciples, Mirabeau (father of the more famous Mirabeau of the Revolution), De la Rivière, De Nemours, Turgot, and Le Trosne, envisaged a "natural order" of society which contrasted emphatically with the

¹ There were, of course, writers on economics before Smith—Child, Petty, North, Gregory King, to mention but a few—but their works were in most cases polemical tracts, and they did not attempt a complete exposition of economic theory.

² Aristotle made some reference to *χρηματιστική*, the art of acquiring wealth. He did not regard the pursuit of wealth as an end in itself; it was merely auxiliary to social life in general. He enunciated some views on exchange and currency which would be regarded as sound in the light of modern economic theory.

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artificial structure of society, political and economic, the in France, and with the doctrines of Mercantilism as in England. They contended that this "natural order" could be restored only by the abolition of the restrictions and regulations which had grown up, and they therefore advocated what has since been termed *laissez-faire*. They regarded agriculture as the sole source of wealth. Only in tillage was more received than was expended. For every grain of corn put into the ground by the farmer he received thirty-fold, sixty-fold, or a hundred-fold. Commerce and manufacturing industry might be necessary, but, in the opinion of the Physiocrats, they did not increase wealth; the value of the product in industry was determined by that of the raw materials and of the labour expended upon them. There was no "net increase," and such occupations were stigmatised by them as sterile. It is not necessary to point out here the nature and extent of the errors of the Physiocrats, but it is proper to recognise them as the pioneers of modern economic science.

The Physiocrats were closely followed by Adam Smith, whose great work, *The Wealth of Nations*, published in 1776, has been revered as the Bible of political economy. Smith owed something to the Physiocrats, and was ready to acknowledge his debt to them, but his powers of observation, of systematisation, and of exposition were so much greater than theirs that he is by universal consent regarded as the real founder of the science of political economy. The principles of economic philosophy were further expanded by Thomas Malthus, David Ricardo, James Mill, J. R. McCulloch, and Nassau Senior, each of whom contributed to the building up of economic science, and, though not all of the principles which they laid down can now be accepted without modification, their work formed the basis on which later economists worked. They treated political economy as an abstract science, in which fundamental principles, of universal application, might be laid down; from these principles corollaries might be deduced. Such a science of economics was necessarily entirely divorced from ethics, and it could not, in their view, be concerned with social reform, for if the distribution of the product to different classes, in the form of rent, wages, etc., was based upon immutable laws it was idle to attempt to modify them.¹ On account of the

¹ But they did not hesitate to draw attention to such features of the existing organisation of society as were in conflict with the fundamental principles of economics and to press for their being brought into harmony with the science. Thus, Smith denounced Mercantilism, and McCulloch condemned the Combination Laws. James Mill went farther, and advocated land taxation with a view to the entire annexation of rent by the community.

nature of their work the members of this group are commonly styled the Classical Economists.¹

Adam Smith lived at a time when the direction of economic activity on mercantilist principles was still being maintained. He was the uncompromising opponent of this system of regulation, and he asserted the need for liberty—the abolition of regulation and restriction, monopoly and privilege, wherever they existed. He held that unrestrained competition among individuals would lead each man to follow that course of life which would be to his own maximum advantage.² In certain cases, indeed, in which the exercise of liberty might conceivably be prejudicial to the liberty of others or to the security of the nation or to its moral welfare some degree of control might be exercised, and it was on the ground of their supposed contribution to national security that he expressed approval of the Navigation Acts.³ He recognised, too, that in actual practice much hardship might be caused by the sudden cessation of State control of economic activity, and he admitted that freedom should be established by degrees. He does not seem to have contemplated the possibility of the entire adoption of his principles, at any rate within any reasonably short period of

¹ This appellation is sometimes explained in less complimentary terms. It is contended that the speculations of the Classical Economists were remote from actuality, that they dealt with "man" in the abstract rather than with men, and that they were concerned with an "economic man," a conception rather than a reality. They overlooked the fact that the personal characteristics of human beings vary to an infinite extent, and they assumed that men of a class would always act in the same way—in the interests of their class. This assumption was unwarranted, and it must be acknowledged that this abstract treatment of political economy, which eliminated all human feeling from the subject, did much to earn for it the name of the "dismal science." But it must be conceded that the abstract reasoning of Smith, Malthus, and Ricardo was based upon the circumstances of their time, and the criticism which can justly be brought against them is that they generalised too closely from the facts which they observed around them and that they failed to take into account possibilities which might arise from changed circumstances.

² The principle that government should promote the greatest good of the greatest number was set forth by Jeremy Bentham in his *Fragment on Government*, which also was published in 1776. From this he argued that irrational restrictions should be swept away.

³ Smith's defence of the Navigation Acts has frequently been quoted. It is not always realised that his views on this subject are inconsistent with his general argument and that they are inherently weak. He admitted that English superiority over the Dutch in the seventeenth-century wars could not be due to the Navigation Acts, which had not been in operation long enough to produce appreciable results, and from this it is a natural inference that the maritime strength which Smith ascribed to the working of the Navigation Acts existed before they were passed.

time, but he hoped that from time to time advances would be made towards that freedom which was his ideal.

Starting with the assumption that wealth could be produced only by means of labour, Smith expounded the advantages to be derived from the specialisation, or division, of labour. It is not necessary to specify them here; it is sufficient to point out, as he did, that the total product is enormously increased if each man gives his whole attention to a single craft or a single process instead of to several. But such an organisation of labour presupposes the exchange of commodities; the man who makes one thing or performs one act in a complicated process cannot live on the product, considerable as it may be, of his own labour. He must be able to exchange what he has made for what has been produced by others. The corollary of division of labour, therefore, is exchange, and every hindrance to free exchange limits the extent to which division of labour is feasible. What is true of individuals holds good among nations; individuals vary in capacity, and nations vary in natural resources. The maximum advantage is obtainable only when each nation concentrates on that which it is best fitted by nature to produce and exchanges its surplus commodities for the produce of other parts of the world. Every restriction upon freedom of trade detracts from this maximum advantage and reduces the sum total of the world's wealth.

Smith's advocacy of free trade led him to examine the mechanism of exchange and to state clearly the nature and functions of money. Barter, the exchange of commodities for commodities, is accompanied by inconveniences which can be clearly discerned and which can be overcome by the separation of exchange into two distinct processes, sale and purchase. This involves the use of a medium—money—which is everywhere accepted for goods because it can itself be exchanged for other goods. Such considerations, set out in detail, led Smith to expose mercantilist fallacies on the subject of treasure; he discerned the true nature of money as distinct from wealth, and he pointed out what has since been repeatedly proved, that an increase in the quantity of money (whether metallic or paper), other factors remaining the same, merely leads to an increase in prices.¹

The Rev. Thomas Malthus wrote a number of works on economic topics, but his most important contribution to the science was contained in his *Essay on Population*. This was first published in 1798, and it was reissued, with substantial modifications, in 1803.

¹ See p. 304.

Several further editions were published from time to time, the *Essay* being revised on each occasion.

The views of Malthus were profoundly influenced by the conditions prevalent in his time. Population was expanding rapidly, a circumstance which, in view of the French wars, was regarded generally with gratification. But harvests were not always good, and any considerable importation of food was, on account of the war, out of the question. Scarcity, privation, even famine, appeared from time to time, and the distress of the poorer classes led to the wide extension of the allowance system which was begun at Speenhamland in 1795. The labouring class became pauperised; the receipt of parochial relief ceased to be regarded as a degradation, and early and improvident marriage became the rule among the poorest.

Malthus was unable to view this state of affairs with complacency and approval. In his *Essay* he first considered the question of food production. In the absence of any substantial degree of import, the possibility of which was hardly contemplated by him, he realised that food for the increasing population could be produced only by a more intensive cultivation of land already under tillage or by the cultivation of other land. In the one case the law of diminishing returns would come into operation, a fact which Malthus clearly perceived, though the term was not then in use. If, on the other hand, land hitherto untilled was brought under the plough it would be land of inferior quality, which would yield less than land already under cultivation.

Turning to the increase of population which was going on, Malthus came to the conclusion that the natural tendency to the reproduction of the species was so strong that population might be expected to double itself within a period of twenty-five years,¹ unless certain checks, referred to below, operated to restrain it. Every improvement in conditions of life tended to weaken the operation of these checks, and so directly stimulated the increase of population.

These two lines of thought were then brought together and expressed in mathematical terminology. Population tended to expand in a geometrical ratio, but the supply of food to increase in only arithmetical progression. The conclusion to be drawn was that population tended to outstrip means of subsistence. This tendency demanded the careful and continuous attention of

¹ Some critics of Malthus have objected that twenty-five years is too short a period. But the length of the period makes no material difference to the argument.

statesmen and economists. If it were not restrained in some way the standard of life of the working classes must fall, and poverty and hardship must prevail everywhere.¹

The checks which operated to restrain the increase of population were of two kinds. Positive checks were those influences which destroyed existing populations; they included plague, pestilence, famine, wars, and such catastrophes as floods and earthquakes.² The preventive check operated to prevent people coming into existence; it took the form of moral restraint, by which Malthus meant abstinence from marriage, or its postponement until later in life than was usual in his time.

Malthus professed himself to be an optimist, and it is not usual to regard him as a pessimist, but the whole tendency of his argument is towards pessimism. If his conclusions be accepted without qualification it is difficult to see how permanent and substantial improvement in the condition of the people can ever be secured. The great mass of the labouring classes is condemned to live perpetually in a state not far removed from the line of bare subsistence; definite improvement will be followed by an increase in numbers which will lower the standard again. The only escape from this vicious circle lies in moral restraint, and it is doubtful whether Malthus himself expected this to be really effective.

However, the experience of the past hundred years does not bear out his contentions. Since the publication of his *Essay* the population of this country has quintupled, and the standard of life of the mass of the people has substantially advanced. This lack of correspondence between what has occurred and what Malthus predicted has caused a reaction against his views, and many people think that he was entirely wrong.

Probably the most serious criticism that can be sustained against Malthus is that he was influenced too much by the circumstances of his own time and that he did not take into sufficient account the possibility of the rise of other factors in the future and in other parts of the world—factors of such a nature as substantially to modify his conclusions. His views with regard to the yield from agricultural land were sound, as far as they went, but they were vitiated by other circumstances which came into play in course of time. Improvements in methods of cultivation were being

¹ Malthus failed to observe that the increase of population which he feared would make possible a greater degree of division of labour, and that this might bring about an increase in the production of wealth.

² And, among primitive peoples, cannibalism, infanticide, and the killing of old people.

attempted in Malthus's time; he recognised this, but he could not be expected to realise that during the nineteenth century these and further improvements would be so generally adopted that the yield from land would show an increasing and not a diminishing return. Further, land not hitherto cultivated was not necessarily inherently inferior to that which was already under the plough; it might be less profitable to cultivate merely by reason of its inaccessibility. The development of new means of transport during the nineteenth century might, and did, bring it within reach of markets; in this way the area available for profitable tillage was substantially increased.

Nor did Malthus visualise the transformation which was to be effected in British industry and commerce in the course of the nineteenth century. He did not foresee that Great Britain would import the bulk of her food supply from the remoter continents, offering for it manufactured goods, coal, and shipping and financial services. In view of the large scale on which international trade has been conducted during the past century the possibilities which Malthus feared have been indefinitely postponed. The production of food throughout the world has been more than adequate for the population of the world.¹ In some regions and among some classes of people there has from time to time been shortage of food, and even famine, but this has been due to deficiency of transport and to defects in the economic structure of society, matters which are not irremediable. To summarise the argument against Malthus, he thought that the increase of population tended to outstrip means of subsistence; the experience of mankind since his time has been that the pace of improvement is greater than that of increase of population.

If it be true that a wider outlook has compelled a rectification of the views of Malthus on production, it is equally the case that his opinions on the causes of the increase of population cannot, in the light of present-day experience, be accepted without modification. Since the middle of the nineteenth century the standard of comfort attained by the working classes and the middle classes has, despite occasional setbacks, substantially advanced. This improvement in material conditions has not been accompanied by

¹ This statement and that on p. 165 do not correspond with the state of affairs prevalent since the termination of war in 1945. But the inadequacy of the world's food supply is mainly a result of the economic disturbance consequent upon the war. The rise in the birth-rate in Great Britain follows the release of large numbers of men from the forces and their return to their homes. (A similar rise in the birth-rate was observed after the war of 1914-18.) There is no good ground for expecting either of these phenomena to be permanent.

an increase in the birth-rate; on the contrary, the steady and continuous decline in the birth-rate is one of the most remarkable social phenomena of the present age. Population has, indeed, continued to expand, but this is due to a declining death-rate. People live longer, but fewer babies are born, and the average age of the population must be steadily increasing. The increase in the population by reason of the decline in the death-rate cannot be maintained indefinitely; there seems no reason to doubt that the decline in the birth-rate will be continued.¹ A point will soon be reached at which population will no longer increase, and in course of time the number of the people will begin to decline. This is not the place to discuss the possible results of this reduction in the rate of increase and of this probable future decline; it is important here to note that the facts do not bear out the predictions of Malthus. Men who have become accustomed to a higher standard of living than was prevalent a century ago seem to be determined to maintain and extend it—for themselves and their children. They marry at a later age than was formerly the case, and families are much smaller than was usual when Malthus formulated his views.

Contemporary with Malthus was another member of the Classical school, David Ricardo, the most important of whose works was his *Principles of Political Economy*, published in 1817, only a few years before his death. In this treatise he put forward the theory of rent which, although not originated by him, is associated with his name. He propounded also a theory of value, which, subject to certain qualifications, he regarded as proportionate to the amount of labour involved in production, but the whole subject of value was dealt with more completely by John Stuart Mill.

Rent was defined, rather unsatisfactorily, by Ricardo as "that portion of the produce of the earth which is paid to the landlord for the use of the original and indestructible powers of the soil." It is difficult to determine to what extent the powers of the soil are original and how far they are the result of skilled attention and cultivation. Soils differ in several respects—especially in natural fertility and in proximity to markets. Sufficient land must be cultivated to meet the food requirements of the people, and, broadly speaking, the more advantageous will be cultivated and the less advantageous left as wilderness, or used in other ways. There will be differences among the more advantageous lands, but it must be possible to till even the worst of these without loss, or it will

¹ See footnote on p. 164.

pass out of cultivation. Rent is simply the difference between the produce of the least fertile of the cultivated lands and that of better lands. It follows that land on or near the margin of cultivation is tilled or neglected according as the price of corn rises or falls. In other words, rent does not determine the price of corn; it comes into existence because of the price of corn. The tendency for population to increase continually necessitates the cultivation of inferior land, and the greater the differential advantage of the better land over the inferior the greater the rent will be.

As the supply of the other factors of production (labour and capital) was variable and competitive while the supply of land, taken as a whole, was fixed, Ricardo envisaged that with the growth of population food would become dearer, wages and profits would be reduced, and more and more of the national income would go to landowners in the form of rent. He further assumed (rather than proved) that this payment was a form of waste compared with the payments to labour and capital, and was accordingly a strong advocate of the removal of the Corn Laws and a believer in *laissez-faire* for industry.

This is a very brief summary of the theory of rent as stated by Ricardo. His views have been criticised on various grounds. It has been asserted that in a new country inferior land may, for some reason or other, be brought under the plough before other land which is inherently richer, but this inversion of the usual historical order of cultivation does not really affect the validity of Ricardo's reasoning. The further objection has been brought that if the theory were true there should be land on the margin of cultivation which pays no rent—but that no such land can be discovered. But in actual practice the rent paid by a tenant farmer to his landlord is not the strict economic rent as determined by the principles set forth by Ricardo. It includes payment in respect of capital which has been applied to the land by its owner. There are farms for which only a small "rent" is paid, which may be entirely accounted for by the circumstance just mentioned. Again, a farmer pays rent for his farm as a whole, taking good and bad land together, and it might be that the bad land by itself would afford no rent. Then, too, in the modern world the marginal land for which no rent is paid may be found in the distant lands of Canada or Australia.

The more serious criticism which can be levelled against Ricardo is comparable with that which was applied to Malthus. He, like Malthus, was profoundly influenced by the immediate circumstances of his time, and he drew conclusions from what he

saw around him without sufficient realisation of the possibility that factors might arise which would modify those conclusions. During the quarter-century immediately preceding the publication of his book, Great Britain, with a steadily increasing population, had necessarily been self-supporting in food. Food prices had risen, more and more land had been put under the plough, and rents had steadily advanced. Conditions had been ideal for the illustration of Ricardo's views—or, more accurately, Ricardo's views were the logical outcome of the circumstances of the country at the time.

Ricardo took it for granted that men in their dealings with one another were influenced solely by the competitive spirit, without qualification or exception. He assumed that the principles underlying *laissez-faire* philosophy, which was in the ascendant in his own time, would hold good everywhere and at all times. But this is not the case, and certainly it is not true that the rent of land is always determined by unrestrained competition. It might represent with some approximation to actuality the state of affairs in Ireland, where peasants were rackrented by the agents of English landlords; in England itself the landed gentry were less accustomed to drive hard bargains with their tenantry, and it was unusual for a satisfactory tenant to be disturbed in the possession of his farm, or for the rent to be raised against him, by a landlord who might be able to secure a higher rent from a new-comer.

Agricultural rents in England were profoundly affected towards the close of the nineteenth century by the importation of foodstuffs from overseas. Much land went out of cultivation, and rents necessarily fell. The possibility of this state of affairs arising was not foreseen by Ricardo, who based his views on the assumption that the country was, and always would be, self-supporting. With the development of mechanical transport in the course of the nineteenth century, land in the New World came into competition with that in Great Britain. Yet this hardly affects the fundamental truth of Ricardo's views.

Ricardo's work was followed by that of James Mill, who published his *Elements of Political Economy* in 1821. James Mill accepted the Ricardian theory of rent, but went farther than Ricardo in using it as a basis for his advocacy of the special taxation of rent. It was, in his view, appropriate that rent should be taxed to the point of total confiscation, since it arose from the inherent advantages to which the landlord had contributed nothing. Moreover, by the very nature of rent it would be impossible for a tax upon it to be evaded by being passed on to other classes. James

Mill was thus a pioneer of the movement for the nationalisation of land.

J. R. McCulloch reissued and edited *The Wealth of Nations* and most of the works of Ricardo, and in 1825 he published his *Principles of Political Economy*. He advocated, on *laissez-faire* principles, the repeal of the Combination Laws, contending that the extension to workmen of the right to combine and to strike could do no harm. A strike might, he contended, be of use in raising wages which were unduly low to the proper level, but it could not permanently raise them above that level. If it did so temporarily, the diminution in the volume of employment would bring wages down again. To summarise his views, he thought that the right to strike was more valuable than the strike itself.

Nassau Senior wrote and lectured extensively on economic subjects. An article by him on *Political Economy* was published in the *Encyclopaedia Britannica* in 1836 and was subsequently issued in book form. His contribution to the science of political economy was in two directions. He treated of abstinence as a justification for a return upon capital. Capital is accumulated as the result of abstention from the consumption of wealth, which involves self-sacrifice and should be rewarded, as, indeed, it is, by some return out of the wealth which is produced with its aid. Senior perceived, also, that rent was not confined to agricultural land, and that it arose wherever differences of natural advantage appeared. Some coal mines might be less expensive to work and might yield more than others; the difference in their net produce was of the nature of rent. The profits of one shop might be greater than those from another by reason of its superior situation; the difference in profits was rent. Even differences in the skill of professional men gave rise to differences of income which were of the nature of rent. Rent was thus seen to be a normal and not an exceptional economic phenomenon.

The work of the Classical Economists was completed and summarised by Senior. He regarded the science of economics as based on only four fundamental principles—the principle of self-interest,¹ the principle of population, the principle of increasing returns in industry, and the principle of diminishing returns in agriculture. From these four principles the whole science of political economy could be deduced; nothing more was required to make it complete.

John Stuart Mill was the son of James Mill, under whose super-

¹ That a man will so order his actions as to secure the maximum of pleasure with the minimum of pain. This is known as the Hedonistic principle.

vision he was educated. He was nurtured, therefore, on the principles of Classical Economics, and in the earlier part of his life he was an adherent of that school. In course of time he felt some reaction against Classical doctrines, and his later work exhibited changes and contradictions as compared with his earlier views. For this reason he is not usually regarded as one of the Classical Economists, though, since the doctrines of this group were seen in decline in his writings, it is not inappropriate to include in this chapter some mention of his work. It was transitional in character; beginning as a supporter of the individualism which characterised the doctrines of the Classical school, Mill moved in later life in the direction of socialism.

Mill published many books, of which the greatest, that which until the close of the nineteenth century was regarded as a standard textbook on the subject, was his *Principles of Political Economy*, issued in 1848. In this work he arranged and systematised the conclusions which had been reached by the Classical Economists, rounding them off into a coherent whole, at the same time challenging the Classical view that political economy was founded upon basic principles, unchangeable in character and of universal application. He distinguished between the laws governing the production of wealth and those relating to its distribution. Only the former were "natural," and incapable of modification; the latter were artificial, and were the product of particular social arrangements. The division of the product in the form of rents, wages, and profits was not of the essence of things; it might be changed. And it was not a far step from this position to the contention that it ought to be changed.

Mill, therefore, became an advocate of social reforms for which he tried to find justification in the principles of political economy. He thought that the wage system ought to be abandoned and that in its place a system of co-operative production should be established. He followed his father in advocating the taxation of land to the degree of confiscation; this was to be justified by the contention that landowners had no moral right to participate in the bounty of nature which they had done nothing to bring into existence. Finally, he proposed to place restrictions on the right of inheritance and so to reduce excessive inequalities of wealth.

In later years the number of writers on economics has increased very considerably. Most of them, while recognising the debt which the science of economics owes to the Classical writers, have departed to a greater or lesser degree from the Classical position.

While the influence of *laissez-faire* philosophy remained it provided politicians with an excuse, if not a reason, for not attempting social reform. But, as it became clearer that wealth was not always synonymous with welfare, and might even be "illth," as Ruskin termed it, this hostility to State action became less pronounced, and this change of attitude was reflected in the writings of economists who did not hesitate to put forward economic principles as a basis for their advocacy of social reform. But there has of recent years been a feeling among some writers that economics ought to be regarded as an abstract science, the principles of which are capable of elucidation without reference to propaganda in any direction. It is now being suggested that economics should be concerned with what is, rather than with what ought to be. In this respect, at least, we are moving again towards the position of the Classical Economists.

CHAPTER XX

AGRICULTURE IN THE FIRST HALF OF THE NINETEENTH CENTURY

FROM 1793 to 1815 Great Britain was almost continuously engaged in war with France; after 1815 she was not again involved in a war of any magnitude until after 1850. The first half of the nineteenth century, therefore, affords an opportunity for contrasting the state of agriculture in war-time with its condition in time of peace.

The period of the French Revolutionary and Napoleonic Wars was one of great prosperity for landlords and farmers. The population of the country, and, therefore, the demand for food, had increased by fifty per cent between 1750 and 1801, and, although during this period improvements had been made in agricultural technique and organisation, production had barely kept pace with demand. In the closing years of the eighteenth century the yield of the harvest was below the average, and it is likely that under normal conditions the supply of food produced at home would have been supplemented substantially by import from the continent of Europe. The difficulty of feeding the people was enhanced during the Napoleonic War. The English harvest of 1809 was deficient, and that of 1810 was worse; the price of grain rose to 160s. per quarter in 1812. Famine was averted only by the import of wheat from France, which Napoleon, in spite of his blockade of the British Isles, permitted under licence.¹

Substantial increase in the production of food at home could be effected only by bringing a larger area under cultivation. In other industries an increase in production tends to bring about a reduction in the price of the product; it is one of the peculiarities of agriculture that an increase in the cultivated area has the opposite effect (unless the market price is affected by a large import of cheap food). Land is not uniformly suitable for cultivation; climatic conditions are not everywhere the same, and soil varies in fertility and situation. It may be assumed that land already under cultivation is, in the main, that which is most suitable for the

¹ Napoleon's aim, by the Continental System, was to destroy British export trade. He seems to have expected that the ruin of the export trade of this country would affect the British balance of trade so seriously that financial difficulties would compel Great Britain to submit to his terms. A continuance of British imports was, in his view, likely to accentuate the adverse balance. He overlooked the fact that between 1809 and 1812 he might have starved Great Britain into submission by cutting off the supply of grain from France.

purpose, and that land which is newly brought under the plough is in some way or other less suitable; it is less fertile or less accessible. The net return from such land, after the cost of cultivation has been met, is less than that from existing arable. But the return must be sufficient to compensate the farmer, for he will not cultivate at a loss. The price of corn must rise sufficiently to make it worth his while to plough up this inferior land. And as, with modern transport facilities available, it is impossible for two or more prices to exist within the country for the same product, this increase of price must apply to all corn, whether it be raised on good or on poor land. In other words, additional land will not be brought into cultivation until the rise in the price of corn is sufficient to make it worth while. Consequently, the continued increase in the acreage under cultivation during the Napoleonic War was accompanied by a progressive rise in corn prices,¹ and the rise in prices resulted in a rise in rents.

This state of affairs brought prosperity to both landowners and their tenants. When a lease fell in, a landlord was able to demand a higher rent for its renewal, and in course of time the incomes of the landed gentry advanced substantially. During the currency of his lease the farmer benefited by the high price of corn; when his lease expired he might be called upon to pay a higher rent, but he would continue to gain from subsequent increases in corn prices.

The small-holders did not share in the prosperity which characterised this period. The corn which they raised in the open fields was less in quantity and inferior in quality by comparison with that produced by the substantial tenant farmers. Their cattle, grazed on the open commons, could not compare with the beasts which were marketed by up-to-date breeders. The factories were ousting them from the textile industries. It was felt, too, that large stretches of unproductive common ought to be ploughed up, and the enclosure movement continued. The small freeholders and copyholders were still numerous in 1793; their disappearance as a class, to which reference has been made in an earlier chapter, was accelerated by the war. By 1815 the large enclosed farm had become the normal unit in English rural economy, and open-field cultivation was exceptional.

Another class of people connected with agriculture, the labourers, did not share in the prosperity which was enjoyed by their social superiors. Towards the end of the eighteenth century there was a steady decline in the rates of wages paid to agricultural labourers,

¹ Corn prices, however, fluctuated a good deal.

who were at the same time faced with advancing food prices and with the loss of their textile work. Their plight became desperate, and a system of supplementing wages by grants of money from the funds for the relief of the poor was evolved. This system, which is described in detail elsewhere, was first introduced at Speenhamland in 1795, and within a year or two it was in operation in most parts of the country.

With the return of peace in 1815 the renewal of import upon a substantial scale became possible,¹ and it was evident that any considerable influx of foreign corn would militate against high prices, especially in years in which the English harvest was deficient in quantity. The high prices and high rents on which the prosperity of farmers and squires had been based would rule no longer. But the landed interest was not minded to surrender its prosperity without making an effort to retain it, and as every member of both Houses of Parliament was a landowner it was not difficult to induce Parliament to make an effort to deal with the problem. In 1815 a Corn Law was passed which forbade the import (or the release from bond) of wheat unless the price in the English market was at least 80s. per quarter.² The Act applied

¹ Corn was imported from Pomerania and from South Russia; it was shipped from Danzig and Odessa.

² This was not the first Corn Law of modern times. A long series of such enactments had been passed from the time of Edward IV onwards. In 1689 the Corn Bounty Act offered a bounty on the export of wheat when the price fell below 48s. per quarter (rye, 32s.; barley, 24s.). The measure was successful both in promoting the production of corn and in securing a fair degree of stability of price. (Its success may be contrasted with the failure of the edict issued by Colbert, a French financier and economist in the reign of Louis XIV, by which the export of corn from France was forbidden. Colbert's object was to ensure that there should always be an abundance of corn in France, but the effect of the prohibition was that the French cultivator had no market for his corn in years of abundance, and land went out of cultivation.) The Corn Bounty Act fulfilled expectations for the greater part of a century, but growing scarcity and rising prices, consequent upon increase of population, led to the passing of the Corn Law of 1773, which aimed at stabilising the price of wheat at about 48s. per quarter by permitting import at nominal rates of duty when the price exceeded that figure. The corresponding figure for rye was 32s., for barley 24s., and for oats 16s. The bounty on export was continued when the price of wheat was under 40s., of rye under 28s., of barley under 22s., and of oats under 14s., but prices rarely fell to these levels, and the bounty fell into disuse. The Act of 1773 did not fulfil expectations; a rise in prices was not always followed by abundance of import, since foreign growers were not prepared to produce for an uncertain market. In 1791 another Corn Law was passed, amending that of 1773. A bounty was to be paid on export when the home price of wheat was below 44s. per quarter, and a heavy duty was imposed upon import when the home price was below 50s. per quarter. The duty became merely nominal when the home price exceeded 54s. per

to other cereals also, the corresponding figures for rye being 53s., for barley 40s., and for oats 26s.

In defence of this enactment it was contended that the continued prosperity of agriculture was vital to the well-being of the country, and it was hoped that the Corn Law would be advantageous to the landed interest without being detrimental to the general public. It was hoped that some degree of stability of corn prices would be secured by the measure, and that the range of fluctuation would be small. If the price of wheat fell below 80s. per quarter the cessation of foreign imports would prevent a heavy drop; when the market price exceeded 80s. the influx of foreign wheat would moderate the rise.

The great argument against the Corn Law of 1815 was that it was a proposal to secure the prosperity of a class at the expense of the nation as a whole. In earlier times the interest of the nation was bound up in the success of agriculture. This had ceased to be the case, as large numbers of people were now engaged in manufactures, trading, and shipping. It was evident that the Corn Law was an attempt to sacrifice their well-being to that of the squires and the farmers. During the next thirty years it became increasingly clear that the national interest would be better served by the export of manufactured goods in return for the import of cheap food. Such a policy, moreover, would benefit English shipping, as vessels would secure cargoes in both directions.

The actual effect of the Corn Law of 1815 was not what was expected by its promoters. Bread was dear, and the poor suffered; the price of corn was not stabilised, and the landed interest did not reap the anticipated advantages. It could not be expected that foreign cultivators would produce corn for an uncertain market, and when the English harvest was deficient high prices prevailed, which were but little alleviated by importation. In 1817 the price of wheat reached 118s. 7d.; in 1822 it touched 39s. 4d. In such circumstances farming became a mere gamble, and farmers could not afford the high rents which they had paid in war-time.

quarter. It was expected that the bounty on export and the heavy duty on import would encourage the production of corn at home, while it was hoped that the reduction of the duty when the price was higher would encourage import when it was needed and so prevent a steep rise in the price of bread. Home production was, indeed, stimulated; enclosures continued, and new land was brought under the plough, but the coming of war made import uncertain, and sometimes impossible, so that high prices continued throughout the war period.

Much land on or near the margin of profitable cultivation was left untilled, and rents necessarily fell.

The depression which followed was made worse by the burden of taxation. The poor-rate was heavy in most parts of the country because of the doles which were paid to the labouring classes, and the weight of national taxation was great on account of the magnitude of the National Debt.

The failure of the Corn Law to maintain the prosperity of landlords and farmers led to its modification. A new scale of maxima was established in 1822,¹ and in 1828 a sliding scale of duties² was introduced in place of the absolute prohibition of import which was imposed by the earlier laws. But stability of prices was not achieved by the sliding scale, and it was modified in 1842,³ with no better result.

The Anti-Corn Law League was founded in 1838⁴ by a group of Lancashire manufacturers under the leadership of Richard Cobden, John Bright, and Charles Villiers. Its primary aim was to educate public opinion on the real effects of the Corn Laws of 1815 and subsequent years. Its promoters, who were Lancashire manufacturers, realised that the free import of corn would lead to the cheapening of food. The cost of food was an important element in fixing the level of the wages to be paid to the working classes; the lower the level of wages the less the cost of production in industry. Cobden and his associates wanted the repeal of the Corn Laws as a means of promoting the sales of English manufactured goods in all parts of the world.

In the general election of 1841 the League met with little success, for a majority of members pledged to the maintenance of the Corn Laws was returned to the House of Commons, and a protectionist ministry was formed under the premiership of Sir Robert Peel. Peel, however, was no bigot, and he at length realised that the policy underlying the Corn Laws could be justified only if it succeeded in producing sufficient food for the needs of the nation. This it failed to do; importation was year by year more necessary. The question became acute in 1845, when the Irish potato famine

¹ Wheat, 70s.; rye, 46s.; barley, 35s.; oats, 25s.

² When the price of wheat was below 64s. per quarter the duty was 25s. 8d. When the price was between 64s. and 69s. the duty fell to 16s. 8d. When the price was over 73s. the duty was only 1s.

³ When the price of wheat was 51s. or under per quarter the duty was 20s. When the price was 60s. the duty fell to 12s. When the price was 73s. or over the duty was 1s.

⁴ The League was founded privately in September, 1838. No manifesto was issued to the public till January, 1839.

occurred and the English harvest was deficient. Peel was convinced that the Corn Laws would have to be relaxed, and that, once suspended, they could never be reimposed. Early in 1846 they were repealed. A scale of low duties¹ was imposed, and in 1849 this was replaced by a nominal duty of one shilling per quarter. This disappeared in 1869 and corn was henceforth admitted to the country free of duty.

¹ While the price of wheat was under 48s. per quarter there was to be a duty of 10s. The duty decreased by a shilling for each shilling of increase in the price, the minimum duty, however, being 4s. per quarter. Proportionate rates of duty were retained on other cereals. Grain from British colonies was admitted free of duty.

CHAPTER XXI

THE FACTORY SYSTEM AND THE FACTORY ACTS

IN an earlier chapter mention has been made of the congregating of men and women under one roof for textile work in the sixteenth century, but the earliest factory in which power-driven machinery was used was a silk mill established at Derby in 1715. This was exceptional, and the factory system in the textile industries did not come into existence until the last quarter of the eighteenth century.

For hundreds of years conditions of labour in England had been subject to regulation, at first local, and, later, national, and in some ways the activities of workpeople had been subject to the control of custom which was as effective as law. By the time of George III the control of industry by the guilds had long ceased, and the requirements of the Statute of Artificers were no longer being enforced. The principles of *laissez-faire* were generally accepted; there was full belief in the virtues of full and free competition—between men of the same class and also between class and class. No sort of public regulation or restriction was attempted in connection with the erection and equipment of factories, many of which were buildings which had originally been put up for other purposes, and these were usually far from satisfactory. When factories were specially built they were designed with a view to securing the maximum of profit for their owners, and no thought was given to the health, comfort, convenience, and safety of the employees. Judged by modern standards most of these buildings deserved condemnation as being inadequately lighted, ill-ventilated, insanitary, dirty, and crowded. Dangerous machinery was not fenced off, and serious, and even fatal, accidents were common.

Factory owners soon found that a good deal of the work in their establishments could be performed by women and children, whose labour was cheaper than that of men. The Poor Law of 1601 had ordered that pauper children should be apprenticed to a trade, and it became common for employers to visit workhouses and accept batches of pauper children as "apprentices." These children were taken to the factory, where they were kept at work for very long hours—from twelve to sixteen per day. They were not allowed to rest even on Sundays, when it was the common practice to clean the machinery. They were fed, clothed, and housed by the factory owner, and, while some of the better employers were humane men who treated the children well and were not indifferent to their interests, the majority saw in the system of child labour

nothing but a means of profit. The work of the children was supervised by foremen who did not hesitate to use whip and stick to keep their charges busy. It is no exaggeration to assert that the condition of these young workers was indistinguishable from slavery.

The truth about the conditions of child labour in the factories was not realised by the general public, and, even when knowledge of it spread, people were not shocked at the idea of children of five, six, or seven doing factory work. The notion that a child of the working classes should not begin to earn his living until he reaches the age of fourteen or fifteen, and that until then his time should be divided between study and recreation, is of quite modern growth. Child labour existed before the factory system was introduced; it is probable that under the cottage system of textile work toddlers of three or four were expected to assist in simple processes. The employment of children in factories was not looked upon, in itself, as an evil at all.

In course of time, however, as the conditions of factory employment of young children became known, the public conscience was stirred. Kindly men and women thought it proper that children should be employed and that correction should be administered in moderation, but they would not admit that brutality and under-feeding and excessive hours were necessary accompaniments of child labour. Yet politicians and economists were convinced that it was essential to the prosperity of industry that it should be left alone and that it would be improper for the State to interfere in the "free" contract between employer and employee. It was held that the best possible contract of employment, the one which would be most satisfactory, was necessarily that which was reached as the result of master and workman bargaining together without outside interference.

A little consideration will show the absurdity of this view. A workman seeking employment cannot bargain on equal terms with his prospective employer. He may have a family to support, and his failure to obtain work may mean great hardship to his dependants. To the employer it matters little whether he selects one man or another. Under these conditions the workman is forced to accept the employer's terms, however unsatisfactory they may be. And if adult workmen are unable to bargain with masters upon equal terms it is certain that children, whose intelligence is undeveloped and whose knowledge of the world is limited, will fail to secure satisfactory terms of employment. It came to be recognised, therefore, that it would not be entirely inconsistent with *laissez-faire* principles for the State to step in

and assist those who were unable to make a satisfactory bargain for themselves.

Attention was directed to the evils of the factory system, as it was developing in Lancashire, by a resolution of the magistrates of Manchester in 1784. They decided to refuse their sanction to the indentures of parish apprentices if it appeared that they were expected to work at night, or for more than ten hours daily. The Manchester Board of Health was set up in 1795 for the purpose of investigating the conditions of child labour in factories. The Board found that the existing conditions were injurious to the general health of the children, that they favoured the spread of infectious disease, that hours of labour were excessive, and that children so employed received no education or moral or religious instruction. It recognised, however, that the evils of which complaint was made did not exist to an equal degree in all factories, and in asking for the establishment of a code of factory laws it suggested no more than that conditions in the worse establishments should be brought up to the level already existing under more humane employers. It may be observed that to a greater or less degree this characteristic has been present throughout the whole course of factory legislation. At all times there has been great diversity of conditions; some factories have been models to the level of which it has been the desire of reformers to raise the remainder.

The nineteenth century witnessed the enactment of a series of Factory Acts, the object of which was to protect those, and only those, who were in need of assistance and protection in the framing of conditions of employment. At first, it was considered by Parliament that such protection was required only by very few of the workers, but from time to time the "protected" class was enlarged by the inclusion of other categories of workpeople. The earliest of these laws applied only to apprentices; they were extended from time to time to include other classes of factory employees, but it was not until the middle of the nineteenth century that it was recognised that men of full age were not in a position to demand equitable terms of employment for themselves, and that they as well as others needed the protection of the State.¹

¹ Even then, the protection afforded to men was only of an indirect character. Parliament has always endeavoured to maintain the principle that the freedom of the male adult worker to make his own contract of employment should not be destroyed. Nevertheless, the Acts of 1847 and 1850 were so framed as indirectly to restrict the working hours of men. Later acts established direct control and supervision of the conditions of male labour in certain dangerous trades. Sanitary conditions, also, are enforceable without regard to the age or sex of the workers.

It is impossible to do more than mention the arguments which were brought forward by the advocates and the opponents of factory legislation in the course of controversies which developed, at intervals, throughout the nineteenth century. It may be noted that the grounds of opposition to factory legislation were not constant throughout the period; as one gloomy prognostication after another was found by experience to be without foundation, other arguments were brought forward. Yet when proposals were made to extend the scope of the Factory Acts to other classes of establishment, arguments which had already been proved to be unsound were revived and used again. For example, it was asserted, in the earlier years, that restriction of the labour of young persons and children would be ruinous to industry and that foreign countries in which enterprising employers were not hindered by factory laws would secure trade which would be lost to Great Britain. The prosperity enjoyed by the textile industries throughout the nineteenth century disproved this contention; nevertheless, similar arguments were used when the extension of regulation to workshops was being considered.

Some of the opposition to factory legislation was based on pseudo-philanthropic grounds. It was contended that existing conditions were best for the working classes, that work could be provided for all upon no other terms, that the choice was between "too much work and too little to eat," and that an extension of the leisure hours of the workers would result in an increase of vice and crime. In course of time such crudely expressed arguments fell into the background, but when proposals were made for the extension of control to other industries it was frequently asserted that the operatives themselves did not desire legal protection and that they would not benefit by it.

Opposition to factory legislation on doctrinaire grounds—that the State ought not to interfere with conditions of labour at all—was strong in the first half of the century but less so in later years, when *laissez-faire* views became less fashionable. Evidence of the evils of overwork was too strong, and public opinion became converted to the necessity for regulation. Nevertheless the champions of individualism clung to the "optimistic" view that the evils were exaggerated and that in course of time things would right themselves without State interference.

Nassau Senior, an economist of great repute, put forward the view that the profit of the employer was made from the work done by his employees during the last hour of the factory day. If the day were reduced by one hour no profit would be made. The

argument was fallacious in that in working it out Senior failed to give weight to certain vital factors, and it is sufficient here to point out that the experience of enlightened employers satisfied them that excessive hours of work did not result in an increase of output. They found that when a factory changed from a twelve-hour day to an eleven-hour day output was actually increased, the quality of the work was improved, and the amount of illness among employees was reduced. Similar results followed a reduction to ten hours, and some men began to see, even if but dimly, that the real problem might be to discover what was the "optimum" length of the working day.

In the last quarter of the nineteenth century the opposition to the extension of factory legislation, in so far as it applied to women, was, rather curiously, associated with a movement for the improvement of the political, social, and economic status of women—the "Women's Rights" movement. Women of the upper and middle classes resented their exclusion from the franchise and from the learned professions, and some of those who were agitating for the removal of these disabilities saw in the limitations imposed upon women's work in factories further examples of injustice to their sex. They thought that trade unions of men supported these restrictions in the hope that women would ultimately be excluded from factory employment altogether. Such views were wrong. The advocates of women's rights were justified in protesting against the exclusion of educated women from the performance of useful work in the world. But women of the working classes were not so excluded. They were given too much of it, and at too small a wage. The object of factory legislation was to protect them against exploitation, and the support of the men's unions was given to the movement because the men hoped that, indirectly, they would secure similar improved conditions.

The first Factory Act, which was introduced by Sir Robert Peel, father of the more famous Sir Robert Peel, and himself a factory owner, was passed in 1802. It was called the "Health and Morals of Apprentices Act,"¹ and it dealt only with apprentices in cotton and woollen factories. Their hours of work were to be limited to twelve per day, and, after June, 1804, they were not to be kept at work after nine o'clock at night. Rules were made on such matters as their clothing, their instruction, their religious observances, their dormitory accommodation, the condition of the factory premises, and the provision of medical attention in the

¹ The Act of 1802 may, perhaps, be appropriately regarded as a part of the Poor Law rather than of the code of Factory Legislation.

event of the outbreak of infectious disease. In each district two visitors were to be appointed by the Justices of the Peace to inspect the factories and report on breaches of the Act; one was to be a Justice of the Peace and the other a minister of the Church of England (or the Church of Scotland). The system of visitation was ineffective; occasional visits by amateur inspectors who were, possibly, friendly with the factory owner, were useless for the purpose of discovering evasions of the Act.¹

It could not have been altogether a dead letter, however, since some manufacturers thought it worth while to evade it by ceasing to take pauper apprentices, employing wage-earning children instead. To these the Act of 1802 did not apply, and when, with the adoption of steam-power instead of water-power, factories were established in large towns instead of in the remote countryside, there was no difficulty in securing them in sufficient numbers and at exceedingly low cost. The wages of adult workpeople were so low that they were compelled to permit the employment of their children, and if the latter were subjected to excessive hours or brutal treatment their parents dared not protest, lest their own employment should be imperilled. In 1815 Sir Robert Peel introduced in the House of Commons a Bill to deal with the labour of children, and, though it was not carried into law, the House in the following year appointed a committee to investigate the conditions of the labour of children, apprentice or non-apprentice. Robert Owen, a manufacturer of New Lanark, whose factory was a model in which no child under ten was employed and hours of work were moderate, urged the imposition of definite restriction in all factories. Opposition to further legislation made itself felt, but in 1819 an act was passed which applied to all children employed in cotton factories, whether as apprentices or wage-earners, though not to those engaged in other than cotton factories. Children under nine years of age were not to be employed, and those who were under sixteen were not to work for more than twelve hours per day. One and a half hours were to be allowed for meals, so that the attendance of children on factory premises might not exceed thirteen and a half hours per day. The standard thus set up was inferior to that which already prevailed in such establishments as those of Owen and Arkwright. This act, like its predecessor, was inadequately enforced and easily evaded. Further acts, in 1820, 1825, and 1830, amended the law only in details, and they were repealed by the Act of 1831.

¹ The Act of 1802 was repealed in 1878.

The Factory Act of 1831 limited the labour of young persons under eighteen in cotton factories to twelve hours per day, and to nine hours on Saturdays, and it prohibited night work by young persons under twenty-one.¹ It was no more effective than preceding acts; like them, it applied only to cotton factories; it was openly violated, and, though occasional prosecutions occurred, the fines which were inflicted on law-breaking factory owners were sometimes paid out of deductions from the wages of the workers.²

But such champions of factory reform as Richard Oastler and Michael Sadler were at last succeeding in arousing public opinion, and politicians began to realise that the open disregard of the law by factory owners, which had been going on for the past thirty years, could not be permitted to continue. Evidence was accumulated as the result of further inquiries; the cause of factory reform was championed in the House of Commons by Lord Ashley, and in 1833 a measure which may be described as the first effective Factory Act was introduced by Lord Althorp and was passed into law. It was applicable to all factories for textiles (except silk mills³), and it continued the prohibition of the employment of children under nine.⁴ Children between nine and thirteen years of age⁵ were to be permitted to work in the factory for not more than nine hours per day, or forty-eight hours per week, and they were to attend school for not less than two hours per day. The labour of young persons between thirteen and eighteen was limited to twelve hours per day,⁶ or sixty-nine hours per week, and they were not to work at night.⁷ In order to secure the observance of the Act four factory inspectors were appointed, and they were empowered to inflict fines upon manufacturers who violated the law.

¹ By the Act of 1831, if factory machinery was worked at night, the onus of proof that no protected persons were employed was laid upon the manufacturer.

² This Act was repealed by that of 1833.

³ In the Act of 1833 the prohibition of night work was extended to silk mills. In these establishments children were permitted to work for ten hours per day.

⁴ A surgeon's certificate of age was to be produced.

⁵ There was a transitional period in the application of the Act, the effect of which was that children of ten or eleven already in factory employment did not come under the half-time system.

⁶ There is some ground for the view that it was expected, by both advocates and opponents of the twelve-hour day, to apply in practice to all factory workers, since the work of different classes of operatives was correlated. This point was clearly brought out in the course of parliamentary debates. This result did not follow, because of the introduction of the relay system.

⁷ At night, i.e. between 8.30 p.m. and 5.30 a.m.

The importance of the Factory Act of 1833 can hardly be over-emphasised; for, although from time to time its details were modified, the principles embodied in it remained the basis of factory legislation for a long time, and it was even imitated in other countries. Unlike preceding acts, it was not limited to cotton factories but applied to all establishments for the manufacture of textiles other than silk. The "half-time" system introduced by the Act played an important part in English industrial life in the nineteenth century. The Act marked the beginning of the compulsory education of children. Not all children were yet obliged to attend school, but those who worked in the factories were henceforth to receive some education. The factory inspectors who replaced the visitors appointed under the earlier laws were more efficient in the enforcement of the law. The visitors had been local people, amateurs at the work, and they were in many cases on friendly terms with the factory owners. Inspectors were strangers who devoted their whole time to this work, and they acted without any bias in favour of the manufacturer. (In course of time their numbers were increased.)

The Act was not perfect, and in one or two directions it was even retrograde in character. It provided directly, by positive enactment, and indirectly, by repealing the Act of 1831, that the age at which night work might legally be performed should be eighteen instead of twenty-one, and it discontinued the requirement, laid down in earlier acts, of the giving of moral and religious instruction. It must be acknowledged, too, that the power of inspectors to inflict fines went too far, since an accused employer was given no opportunity of offering a defence before an independent tribunal to the charge of breaking the law.

The struggle between the advocates and the opponents of the regulation of factory labour did not end with the passing of the Act. The latter, convinced that the measure ran counter to sound economic principles, sought in various ways to render it inoperative. Acting on the principle that the best method of defence is to attack, the champions of reform promoted an agitation for the establishment of a ten-hour day in all factories. Difficulties in the working of the Act of 1833 made their appearance; age certificates were unsatisfactory, and children were worked in relays, so that it was difficult to ascertain whether the law was being observed. The Government of Lord Melbourne was suspected of lukewarmness in the enforcement of the law, but with the accession of the Conservatives under Sir Robert Peel to office in 1841 the hopes of reformers revived. During the next few years

the struggle for factory reform was associated with that for the repeal of the Corn Laws.¹

In 1844 Peel's Factory Act was passed; it extended and modified the provisions of Althorp's Act in several ways. It applied to all textile factories (other than silk mills) in which machinery was used. The age at which a child might begin work in the factory was reduced to eight, and while this was a step in the wrong direction it must be remembered that with the establishment in 1836 of the registration of births the proof of age could be more effective. Under earlier acts it is probable that children of seven or eight were received on the pretext that they were nine. The Act of 1844 required no more than the production of a surgeon's certificate of age, but in later years the age of an applicant had to be proved by the production of an official birth certificate. The Act modified the half-time system. Henceforth, the hours of work of children between eight and thirteen were not to exceed six and a half per day, with three hours at school. But an alternative was sanctioned, by which children might go to school and factory on alternate days, and if this were adopted their hours of factory employment were limited to ten per day. In the better organised factories the alternative was accepted, and two shifts of children were employed. The limitation of the working hours of young persons to twelve hours daily was continued, and a similar restriction was placed on the working hours of women, so that by this time the law offered protection to all classes of factory workers except men.

An attempt was made to deal with evasion of the law by the employment of children and other protected persons in relays. It was ordered that the twelve-hour working day was to begin as soon as any protected person began to work, and that the times of work and of meals were to be fixed by reference to some public clock. The meal times of young persons and women were to be at one time, and meals were not to be taken in the workroom. The Act contained provisions of another kind. Dangerous machinery was to be fenced, and the employment of young persons in the cleaning and oiling of machinery while in motion was prohibited.

In some respects the powers of factory inspectors were extended, but they were deprived of authority to inflict fines, and owners who offended were charged before the local magistrates, a more

¹ The manufacturing interest at this time was in favour of free trade and opposed to factory reform. The Tory squires who were antagonistic to free trade were ready to give some measure of support to factory legislation.

satisfactory system in every way. It was fairer to the accused person, who was able to put forth his defence, while the greater publicity of the proceedings acted as a deterrent to those who were inclined to evade the regulations.

The agitation for a ten-hour day continued, and in 1847 Fielden's Factory Act, which embodied this provision, became law. But the Act was so framed that the reintroduction of the relay system became possible. The factory day stretched over a period of fifteen hours—from half-past five in the morning till half-past eight in the evening—and it was impossible to determine whether the law was being obeyed; it was, in fact, being evaded in many factories. Lord Ashley drew the attention of Parliament to the matter, and Sir George Grey proposed a further act in 1850, which specified the hours of work for women and young persons. These were to be from six to six, and one and a half hours were to be allowed for meals. The daily period of work was thus extended to ten and a half hours, but there was a limit of sixty hours per week, the time of ceasing work on Saturdays being fixed at two o'clock. This act settled the question of the relay system so far as women and young persons were concerned. But the law might still be evaded in respect of the employment of children. The Act of 1850 was in form an amendment of that of 1847, but the labour of children was regulated under that of 1844. They might still be employed as early as half-past five in the morning or as late as half-past eight in the evening, and this was remedied only by the passing of an amending act in 1853.

The passing of the Act of 1850 marked the virtual abandonment of the principles of *laissez-faire* with regard to work in textile factories. Factory law as it existed in 1850 was applicable directly to children, young persons, and women; indirectly it controlled the hours of labour of men also, in so far as the work of the latter was dependent upon that of other classes.

An interval of several years elapsed before further legislation was attempted, though a determined, but unsuccessful, attempt to secure the repeal of the existing code of factory law was made by the employers. When attention was again focused upon labour conditions it was felt that many other industries than the textiles needed regulation. This had, indeed, been recognised for many years, and, when it had been demonstrated by experience that the regulation of labour conditions in textile establishments had not been detrimental to the prosperity of the industry, no valid argument could be brought forward against its extension to other industries. As early as 1845 an act had been passed to

regulate conditions of labour in textile print works, and in 1860, after a campaign which lasted for some years, the Bleach and Dye Works Act was passed. Further acts dealing with points of detail were passed during the next few years, and in 1870 an act was passed which consolidated the law with regard to establishments in which dyeing, bleaching, and printing were carried on.

In the years 1862-6 a Royal Commission investigated conditions of labour in non-textile industries and in textile establishments in which power-driven machinery was not employed (these being outside the scope of the existing acts). Child labour, excessive hours, and unhealthy conditions were found to exist, and legislation was framed to deal with these evils.

The Factory Act of 1864 brought under special regulation several industries which were in no way connected with the textiles. These included the manufacture of earthenware, lucifer matches, percussion caps, and cartridges.

In 1867 two important acts, the Factory Acts Extension Act and the Workshop Regulation Act, were passed. The former extended the application of the existing law, specifically, to a number of other industries,¹ including iron and engineering, guttapercha, paper, glass, printing, bookbinding, and tobacco, whatever might be the number of people employed, and also, generally, to all industries in which fifty or more persons were engaged in a manufacturing process in one establishment. Many modifications in points of detail were permitted in view of the special circumstances of some of the industries now included. Limited powers were given to the Home Secretary to make such modifications; in subsequent acts these powers were extended.

The Workshop Regulation Act introduced a distinction between a factory and a workshop, the latter being defined as a place, other than a factory, in which a handicraft was carried on by any child, young person, or woman, to which the employer had access, and of which he had control.² Regulations similar to, but less stringent than, those already applicable to factories were formulated. No child under eight might be employed in a workshop, and children between eight and thirteen might be employed only under the half-time system. The hours of women and young persons were not to exceed twelve per day (in which were to be included one and a half hours for meals), but these might be between five o'clock in

¹ Some of these industries had, by trade union action, already secured the establishment of shorter hours than those now fixed as the legal maximum.

² Establishments in which men only were employed were excluded from regulation.

the morning and nine o'clock in the evening, so that the relay system, with all its possibilities of evading the law, could be introduced. It is to be observed that workshop regulation referred only to places in which fewer than fifty people were employed,¹ and that work done in the homes of the workers, which were not under the control of the employer, was beyond the scope of the Act. The Workshop Regulation Act was permissive only; its enforcement was entrusted, not to factory inspectors, but to local authorities, who might or might not take action. The inspectors of the local authorities were not even given authority to enter a workshop without first obtaining an order from the Justices of the Peace.

This first Workshop Act exhibited several of the defects which characterised early factory legislation; the absence of strict definition of the working day and of effective machinery for enforcement facilitated evasion and open disregard of the law, and a few years' experience of the operation of the two acts pointed to the necessity for their amendment. This was begun by the transference of the duty of general enforcement of the law in workshops to factory inspectors by the Factory and Workshops Act of 1871.² But factory inspectors were few and workshops were many, and for some years the work could not be performed efficiently. The supervision of the sanitary condition of workshops, under the Sanitary Act, 1866, remained with local authorities.

By the Factory Act of 1874 some changes were made in the law as it applied to the textile industries. The maximum hours of work for women and young people, which since 1850 had been ten and a half per day, were reduced to ten, and the total for the week was limited to fifty-six and a half; in practice this involved a similar shortening of the working hours of men. Children under nine years of age, and, after the lapse of a year, under ten years of age, were not to be employed in factories, and the half-time age was raised to fourteen, except in the case of those children who had reached a certain standard of education. Overtime was forbidden, and silk mills were brought into line with other textile establishments.

The various extensions of factory legislation brought about a demand for its codification, which was attempted in the Factory and Workshops Act of 1878. Five types of establishment were distinguished in the Act, and separate bodies of regulations were

¹ And not to these if they came under the definition of factories.

² This was the first occasion in which the two terms were combined in the title of an act.

applied to each class. The rules relating to (1) textile factories remained unaltered except in details. (2) Non-textile factories included those which were specifically brought under regulation by the Acts of 1864, 1867, and 1870, but not those which were included merely on the ground that they employed more than fifty workers. (3) and (4) Workshops were distinguished from factories by the fact that power-driven machinery was not used in them, and they were subdivided according to whether they did or did not employ workers under eighteen years of age; the former were subject to stricter regulation than the latter, which were commonly designated "women's workshops." Establishments which under earlier acts were classified as factories merely because they employed as many as fifty workers were now treated as workshops.¹ (5) Domestic workshops were rooms in private houses in which work was carried on by members of the family living there; the work of children in these places was subject to regulation, but not that of women.

The Act was retrograde in one respect at least. Women's workshops and domestic workshops were exempted from all sanitary regulation, except in so far as the Public Health Act of 1875 applied to them. The enforcement of this Act was entrusted to the local sanitary inspectors, while the factory inspectors were expected to enforce the whole of the provisions of the Factory Act of 1878. In practice it was often difficult to distinguish different types of workshop and the respective spheres of action of the two kinds of inspector.²

In the Factory Act of 1883 special rules were formulated for white-lead works and bakehouses, and in the Cotton Cloth Factory Act of 1889 the conditions under which the atmosphere in cotton factories was made humid artificially were brought under regulation. An act passed in 1889 for the prevention of cruelty to children extended the protection of the Factory Acts to children employed in theatrical entertainments.

An important Factory and Workshops Act was passed in 1891,

¹ Workshops in which men only were employed were not subject to regulation and inspection.

² For example, a workshop in which a number of men and women, with one boy of seventeen years, were employed, was classified in the third group, and might be visited and inspected by a factory inspector. When the boy reached his eighteenth birthday the establishment would belong to the fourth group, and the factory inspector would have no control over its sanitary condition. Again, a private house in which members of a family worked, with one young assistant from outside, would belong to the third group, but it would pass to the fifth group if the assistant were dismissed.

in which the whole subject was drastically reviewed. Children were not to begin work in factories until they attained the age of eleven years. Enforcement of the law in workshops was left to factory inspectors, except that the supervision of their sanitary condition was transferred to the inspectors of local authorities, and for this purpose even those workshops in which men only were employed were made subject to inspection. The exemptions enjoyed by women's workshops under the Act of 1878 were abolished, but they were continued in the case of domestic workshops. Lists of outworkers had to be compiled, and inspectors were given the right of entry to domestic workshops. General safety regulations were framed, and for some industries special rules were added. For certain dangerous trades the Home Secretary was empowered to draw up further regulations.

In 1895 a Factory Act was passed under which the work of children was in all cases limited to thirty hours per week, and night work was forbidden in the case of children under fourteen. Such places as docks, wharves, quays, and laundries were brought under control. The Home Secretary was empowered, within limits, to make rules for factories and workshops where only men were employed, and factory regulation in general was extended in several other ways. In 1896 doctors were directed to notify factory inspectors of the occurrence of cases of certain occupational diseases. An act passed in 1898 regulated conditions in india-rubber works, wool-sorting establishments, lead works, and other places in which special risks were encountered.

Finally, a further attempt at codification was made in the Factory and Workshops Act of 1901. To attempt to give an account of the many regulations, general and special, under the Act would be beyond the scope of this work, but it may be noticed that the age at which children were permitted to enter factories was raised to twelve and that regulations were made applicable to any place, even a home, where a dangerous trade was carried on. By an act passed in 1908 the making of matches containing white phosphorus (which gave rise to the occupational ailment known as "phossy-jaw") was prohibited, and by an act of 1913 a code of regulations applicable to the pottery industry was put into operation.

The system of dual inspection established by the Act of 1891 and continued in the codifying Act of 1901 did not prove altogether satisfactory. Some local authorities were reluctant, on grounds of expense, and, perhaps, on account of the pressure of local interests, to act up to the full extent of their powers. In some places there was overlapping between factory and sanitary

inspectors; more frequently duties were neglected because each assumed them to come within the sphere of the other. Yet it is undeniable that the general administration of factory law did become ever more efficient, and the inclusion of women on the staff of factory inspectors contributed materially to bring about this result.

The long controversy over the employment of children in factories and workshops ended with the abolition of the half-time system by the Education Act of 1918. After this, children under fourteen were expected to make full-time attendance at school, and only upon reaching the age of fourteen could they be employed in factories or workshops. By the Education Act of 1944 the age to which attendance at school was compulsory was raised to sixteen (though the date of enforcement of this provision was not fixed in the Act). It follows that, when the Act comes into full operation, no boy or girl under that age will work in the factories.

The Factory and Workshops Act of 1901 remained the basis of the law on the subject for many years, but it was felt that there was still room for improvement, and a considerable body of opinion developed in favour of the passing of a new act. This was done in 1937, when the Factories Act was passed. It introduced no new principles; the old reluctance to impose legal restrictions upon the working hours of men still prevailed. But many modifications of existing rules were made. The maximum working week for women and for young persons over sixteen and under eighteen, which hitherto had been fifty-five and a half hours in textile and sixty hours in non-textile establishments, was reduced to forty-eight hours, and for young persons under sixteen to forty-four hours, and limitations were imposed on the amount of overtime permitted. The application of factory law was extended to places in which cinematograph films were manufactured, to engineering constructions, and to certain parts of building operations. The Act included stringent regulations on a variety of topics, designed to safeguard the health of factory workers—the lighting, temperature, ventilation, and cleanliness of the premises, the amount of air space per worker, the adequacy of sanitary accommodation, and the provision of medical supervision.

Two supplementary acts were passed in 1938. By the Young Persons Employment Act the limitations imposed by the Factories Act of 1937 upon the hours of work of young persons were extended to those employed in a range of occupations not previously covered, such as messengers, and those engaged in the collection and

delivery of goods. The Shops Act imposed similar limitations upon the working hours of young persons employed in shops.

It is not easy to determine to which of the two political parties of the nineteenth century the cause of factory legislation owes the more. It has never been a clear party question, but at times it has been associated with other controversial issues upon which parties have been sharply divided. In the earlier part of the century the Conservatives were regarded as being well disposed to the reform of conditions of factory labour, while the Liberals, as the inheritors of the Whig tradition of individualism, opposed it. In later years there was some tendency to a reversal of these positions. Some of the Liberals accepted ideas of social reform which might be regarded as Socialistic and were in consequence less hostile to factory legislation; some of the Conservatives, in opposition to Socialism, took up an attitude which made them less enthusiastic for factory reform. Nevertheless, it may be pointed out that the four codifying acts—those of 1878, 1891, 1901, and 1937—were all passed by Parliament when Conservative Governments were in office.

CHAPTER XXII

BRITISH RAILWAYS

IN several respects the railway system of Great Britain is unique. Steam locomotives were invented in this country, and railways were developed here before they were laid down elsewhere. Progress was based on the experience of the pioneers; mistakes were made, experiments were attempted and were sometimes abandoned. By the method of "trial and error" progress was made, but the cost was high. When other countries built railways they were able to take advantage of the experience already gained by British railway engineers.

This helps to explain why the cost of construction of British railways was high; there were, however, many other circumstances which contributed to this result. Unintelligent public opinion was antagonistic to the proposed new means of transport, which had also to face the opposition of vested interests—those of the canal companies, the coach proprietors, and the turnpike trusts. Before a new railway could be constructed the sanction of Parliament had to be obtained. Surveys had to be undertaken, estimates of cost to be prepared, evidence in support of the undertaking to be collected; this material had to be submitted to a parliamentary committee, before which the opponents of the undertaking were entitled to a hearing. The whole procedure was expensive, and it has been estimated that the cost of these preliminary proceedings averaged as much as £4,000 per mile of line actually built—nearly as much as the whole cost of railway construction in the United States.

When parliamentary sanction had been obtained the company had to buy the land¹ on which the track was to be laid and the stations built. Many landowners had been in the forefront of the opposition, and probably most of them really believed that the establishment of a railway in the neighbourhood of their property would tend to lower its value. They demanded and obtained for

¹ Certain stretches of line were built on land which was not the property of the railway company. The company acquired a right, technically known as a wayleave, to construct a line and convey traffic over it, but mineral and other rights over the land remained with the freeholder. Wayleaves, for which rentals were paid by railway companies, were sometimes preferred to the purchase of land when branch lines were to be constructed to mines which might become exhausted. In some cases such branch lines have been abandoned, so that the wayleaves have lapsed; other wayleaves have fallen in through the purchase of the freehold by the railway company; some still exist.

the land which they were compelled to sell absurdly high prices. On some of the early sections the cost of land, which hitherto had been used for agricultural purposes only, averaged several thousands of pounds per mile.

Heavy expenditure had to be undertaken in connection with engineering problems. These naturally varied a good deal in different parts of the country. Long stretches of perfectly flat land were rarely to be met with. It was recognised from the beginning that increased haulage power would be needed wherever gradients were permitted, and in the interests of economical working it was determined that they should be avoided wherever possible, and, if they could not be avoided, that they should not be steep. Hence a great amount of excavation had to be undertaken in connection with cuttings and embankments.¹ The boring of tunnels and the building of bridges involved the promoters in further heavy expenses.

British railways have always been characterised by great solidity of construction. In the road bed, the metals, the rolling stock, and the signalling apparatus, a large margin of safety has always been allowed. This policy has entailed additional expenditure, but it has been demanded by public opinion and has been insisted upon by Parliament. From time to time additional safety devices have been invented, and the railway companies have been compelled, willingly or unwillingly, to adopt them.

The network of railways which covers Great Britain was brought into existence entirely as the result of private enterprise. No financial help was given by the State. Capital was subscribed by people who saw in the new means of transport a field for profitable investment and who expected a reasonable return for their money.² It was possible for railway construction to be financed

¹ The method to be adopted in overcoming a natural difficulty was usually determined by financial considerations. The relative advantages of a tunnel and a wide detour might be viewed in the light of the expense to be incurred; other factors, however, were sometimes considered, such as the increase in the length of line between two important towns and the effect on time-tables, especially when competition was expected from a rival line. The question of the comparative merits of a gradient and a deep cutting or tunnel might be settled by estimating the capital cost of the latter against the capitalised value of the increased running cost of the former.

² Until the railway boom of 1843-7 capital was subscribed, for the most part, by merchants, manufacturers, and colliery owners, who expected advantage to accrue to their undertakings by the development of railway transport. During and after the boom railway enterprise was recognised by people of means in all parts of the country as offering a profitable field for the investment of capital.

in this way in Great Britain, the country of the invention of railways, because for some time industry had been carried on upon a large scale. Thousands of people had made fortunes in the early days of the Industrial Revolution; capital had accumulated and was awaiting investment. This abundance of capital contrasts with the state of affairs in other countries. In many, perhaps in most, there was not enough capital available in private hands to make possible the building of railways. The State had to undertake the work; if it declined to do so railways could not be built. This was the case in such backward countries as Russia, and it was usually the case in British colonies. In such immense stretches of territory as Canada, South Africa, and Australia railways were needed. But distances were great and populations small. Private capital was needed for economic development in other directions. Yet unless railways were laid down population would remain small, and interior penetration and settlement would be difficult or impossible. Governments had to build railways which could hardly be expected to pay their way for many years; such lines were designed for a future return, while British lines catered for an existing trade and expected an immediate return for the money spent in their construction.¹ The railways of Great Britain and her colonies and also those of the United States were designed to meet the needs of commerce; in some European countries the possibility of their use in war was considered in their planning. It is obvious that lines built primarily for strategic purposes had to be financed by the State. In India one of the aims of railway construction was the more effective organisation of famine relief.² The Government of India assisted in their development by itself

¹ This affords an additional reason for the solidity which characterised the construction of British railways. In many other countries the establishment of a railway was a speculation which might or might not prove financially profitable. Work and materials were often of inferior quality, it being felt that improvement could be sought if and when the line turned out to be a success. In Great Britain there was no doubt that railways would pay, and as a matter of fact substantial dividends were paid from the beginning. Later in the century the construction of branch lines, in themselves unprofitable, but useful as feeders to main lines, called for the outlay of additional capital, and this reduced the general level of dividends.

² From time immemorial India has suffered from famine. The land as a whole has produced a sufficiency of food for the people, but, while there has been abundance in some provinces, in others there has sometimes been dearth, which has resulted in famine. Until the full establishment of British rule such situations were met with oriental fatalism. The problem of famine relief was that of transporting food from regions of abundance to those of scarcity, and the utility of railways for this purpose is evident.

undertaking the construction of some lines and by guaranteeing the dividends of private companies which built others.

British railways came into existence as competitors of existing forms of transport. The road system had been improved in the eighteenth century, and a network of canals had been constructed. The economic philosophy of the early nineteenth century regarded monopoly as undesirable, and Parliament encouraged the competition of railway with railway and of railways with canals. Efforts were made to maintain the canals as rivals of the railways, while the competition of one line with another was such that few large towns were served by a single system. As time went on it was found increasingly difficult for this attitude to be maintained, though Parliament was reluctant to depart from it, and, in fact, did not do so decisively until 1921. The canals declined in the face of the inherent superiority of the railways and on account of the lack of enterprise of the canal companies, and the competition of the lines with one another was reduced by amalgamations, by working agreements, and by understandings. In many other countries the advantage of a single monopolistic system was grasped from the beginning, and canals, where they existed, were made into feeders, and not competitors, of the railways.

In Great Britain the early railway promoters did not envisage the possibility of a national system. Numerous short lines were built, often without connection with other lines, and occasionally to different gauges, and the possibility of inter-running was not even considered. The experience of only a few years of railway working demonstrated the necessity of connecting these lines and of arranging for the running of through trains, for passengers and for goods. In other countries advantage was taken of the experience gained by British railway managers, and long-distance systems were planned from the outset.

Another way in which the course of British railway development differed from that expected by the pioneers was in the type of traffic which proved most profitable. Railways were built for the transport of goods, and it was expected that the carriage of passengers, if undertaken at all, would be of secondary importance. But it was soon recognised that human beings formed the most profitable type of freight that could be carried. In the early days of railways seventy-five per cent of the receipts came from passenger traffic; later in the nineteenth century the proportion declined from year to year until it was only forty per cent. The gross receipts of the Southern Railway were derived from passenger traffic to the extent of over seventy per cent; this line, however,

was exceptional in character in that it did not serve any great industrial region but connected London with a number of south coast holiday resorts, and it also catered for a big volume of continental traffic.

Only part of the rolling stock on British railways was owned by the companies. From the beginning they permitted the running of privately owned trucks and carriages. In this they followed the example of the turnpike trusts and the canal companies. The road was made or the canal was constructed; those who wished to use it provided their own vehicles or vessels and paid a toll for the use of the way. The railway companies expected that the road bed laid down by them would be largely used by privately owned rolling stock and that their revenues would consist to a considerable extent of tolls. They even recognised the possibility of private engines being run, but their use was found to be inconsistent with safe and punctual working, since the slowest engine limited the pace of all trains which followed it. By 1839 it was admitted in the report of a parliamentary committee that the companies must provide haulage. Privately owned trucks, however, remained in extensive use. It was felt that the system was advantageous both to the companies and to their customers. Had the companies determined to own all the trucks they must have raised a good deal of additional capital for the provision of rolling stock. Manufacturers and colliery owners preferred to use their own trucks. These were run into sidings at works or mine, and remained there to be loaded or unloaded at their owners' convenience; when a company's rolling stock was detained in this way there was a charge for demurrage. Further, the company charged for the use of its trucks as well as for hauling them; when privately owned trucks were used it charged only for haulage. Since, however, privately owned wagons had frequently to make their return journeys empty, it was contended that railway rolling stock could be managed with much greater economy of time and cost if wagons were pooled—a point of view which prevailed when the railways were nationalised, since the State then acquired the whole of the rolling stock. Nevertheless, in so far as specialised types of truck are required for special trades, a certain amount of empty running on return journeys will always be necessary.

The British railway system came into existence during the second quarter of the nineteenth century.¹ Railways, not worked

¹ It is interesting to observe that the "invention" of the British railway system was the result of the convergence of two distinct lines of development, neither of which was at first associated with the other. The preparation of a

by steam-power, existed before 1825, and very considerable extensions have been made to the system since 1850;¹ nevertheless, the period between these dates witnessed the establishment of the system. The earliest railways were short private lines connected with collieries, and they were used to facilitate the transport of coal from the pit-mouth to a river or canal. The colliery roads were bad, and as early as 1630 flat or grooved wooden plates were sometimes embedded in them.² The coal wagons ran on (and frequently off) these plates. Haulage was by horses or men, unless the gradient was sufficiently steep to dispense with them. Iron plates were used in place of wood after 1738, and in 1767 cast-iron rails were introduced. Trucks with flanged wheels were first constructed by William Jessup. By the end of the eighteenth century many short railways had been built as feeders of the canals. The Surrey Iron Railway, a line between Wandsworth and Croydon, was sanctioned, by an act passed in 1801, for the conveyance of coal, corn, etc., and this was followed in the first twenty years of the century by nineteen other lines in various parts of the country. They were worked by horses, and experiments were conducted in the use of cables which could be wound round drums attached to stationary steam engines. Locomotives were in use as early as 1803, Trevithick, Blenkinsop, and Hedley being among the early inventors. Several "steam coaches" were produced during the next few years; they ran on the public roads. George Stephenson, a colliery engineer at Killingworth, built a locomotive, the "Blücher," in 1814. It was defective in several ways, but Stephenson continued his experiments.

In 1821 the Stockton and Darlington Railway was begun. The intention of the promoters was to use horses for haulage, but in

special road bed by the laying down of rails was begun without reference to the possibility of steam-traction; on the other hand, the earliest locomotives were built to run on ordinary roads, and their designers failed to appreciate the advantage of rails.

¹ The mileage of British railways at different times was as follows:

1840	1,857 miles	1900	21,666 miles
1850	6,621 "	1910	23,387 "
1860	10,433 "	1914	23,701 "
1870	15,537 "	1920	23,734 "
1880	17,933 "	1923	20,314 "
1890	19,233 "	1930	20,402 "

The figures for 1923 and 1930 are exclusive of Ireland, which has about 3,400 miles of track. Of the figure given for 1930, 12,765 miles were of double track.

² It is said that a wooden railway was laid down at Newcastle in 1602.

1823 they resolved to make use of steam locomotives and stationary engines, and in 1825 the line was opened, the first train being drawn by an engine of Stephenson's design.¹ The success of the Stockton and Darlington led to the establishment of other lines, and in 1830 the Liverpool and Manchester Railway was completed. The directors had offered a premium of £500 for a locomotive which should fulfil certain requirements; trials took place at Rainhill in 1829, and the prize was won by Stephenson with his "Rocket," which proved in every way to be more efficient than other engines submitted. Other railways—between Warrington and Birmingham, between Birmingham and London, between Bristol and London, and between London and Brighton—were undertaken, and before the end of 1838 London was in railway communication with Manchester. In 1839 the first part of the Eastern Counties Railway (afterwards the Great Eastern) was opened. It was built to a gauge of five feet, but in 1845 it was converted to standard gauge. By this time railway construction was proceeding in many parts of the country, but most of the lines were short, and many of them had no connection with other railways. During the forties the building of railways continued, and between 1843 and 1847 a "railway mania" developed, with the encouragement of George Hudson, the "Railway King." Many foolish and ill-considered projects attracted the favourable notice of investors, and a good deal of money was lost. But not all the schemes of the period were of this character, and by 1850 England was in possession of a network of railway lines.

As construction progressed and railways were built in all parts of the country there was a growing tendency towards consolidation.² One railway would buy up another, or, what was in substance the same thing,³ two lines would amalgamate. Where separate existence was maintained, companies often succeeded in obtaining running powers over one another's roads. The necessity for

¹ For some years horses as well as locomotives were used on the Stockton and Darlington Railway.

² The Midland Railway in 1844, and the London and North-Western Railway in 1846, were formed by the amalgamation of smaller lines. The Great Western Railway was not formed in this way. It was from the first a more ambitious project, which, in conjunction with a few tributary lines, aimed at monopolising the railway business of the west of England. The original proposal to construct a through railway between London and Bristol was made because of the delays to which water-borne traffic was subject.

³ If one line "purchased" another, the shareholders of the latter were usually offered shares in the other company as an alternative to cash. As in any case they would need an investment for the money, the offer was usually accepted.

uniformity of gauge was recognised before this, and in 1846 Parliament directed that all future lines should be built to the standard gauge of four feet eight and a half inches.¹ The Great Western Railway and certain lines associated with it, were, however, permitted to retain the broad gauge of seven feet, and some further building to this gauge was subsequently undertaken. Inconvenience was experienced from duality of gauge, and the Great Western Railway ultimately recognised the necessity of abandoning the broad gauge. Conversion to the standard gauge was begun in 1868. For a time a third rail existed on some parts of the Great Western system, so that the road would take both broad and standard gauge rolling stock. The conversion was completed in 1892.

It has already been stated that railway promoters originally intended to provide roads, for the use of which they would charge tolls. Circumstances compelled them to become carriers of goods and passengers, and interrunning developed. It became usual for passengers to be provided with tickets to their destinations, although their journeys might involve travel over more than one line. Goods, also, might be sent over the lines of several companies without transference from truck to truck. In either case a single charge was made, which had to be apportioned among several companies. Thousands of such transactions occurred every day, and it became necessary, in 1842, for the companies to establish the Railway Clearing House, where their mutual claims could be adjusted and balances could be settled.

The railway system of Great Britain developed as the outcome of private enterprise. But, as the possibilities of railways were more clearly perceived, it was recognised that they were of great public importance. They had been granted special privileges, and they were destined to become the principal means of communication and transport in the country. Some degree of public control was inevitable. While statesmen and economists held to the tenets of *laissez-faire* Parliament was reluctant to establish any real form of public control of the railways, and this attitude

¹ The reason for the adoption of four feet eight and a half inches as the standard gauge for British railways is said to be that it was the gauge of the Killingworth Colliery Railway, and, possibly, of others. It has been asserted that the gauge represents the distance between the wheels of a Roman chariot; if this be true it can hardly be anything more than a coincidence. The most likely conjecture as to the origin of the gauge is that it was regarded as of five feet, measuring from the outer side of one rail to the outer side of the other. If the rails were an inch and three-quarters wide, the inside distance between them would be four feet eight and a half inches.

was maintained, though with increasing difficulty as time went on, during the first half-century of their existence. Before 1873, the year in which the Railway and Canal Commission was set up, the extent of State control was inconsiderable.

In 1840 it was enacted that new lines should, before being opened, be subject to inspection by the Board of Trade. In 1842 the Board was empowered to delay the opening of a new line if it were dissatisfied with its condition. Notice was to be given of all accidents, and the Board was authorised to hold inquiries into the causes of these mishaps. It was ordered that railway dividends should not exceed ten per cent and that profits in excess of this should be devoted to the reduction of rates and fares. The by-laws of railway companies were to be submitted to the Board of Trade for approval, and the Government was empowered, under certain conditions and after a stated period of time, to purchase the lines.¹ The existence of an abuse which attracted much attention during the next thirty years was recognised by the prohibition of the granting of preferences, though for the time being the prohibition was ineffective. By the Cheap Trains Act of the same year (1844) all railway companies were directed to run one train daily in each direction, calling at all stations if required, in which passengers should be conveyed at fares not exceeding one penny per mile.² In 1845 Parliament fixed maximum rates for the carriage of goods.³ About sixty articles were classified in five or six groups, but the Railway Clearing House evolved a further

¹ This power was not used.

² The normal range of third-class fares was based on three-halfpence per mile. The importance of the "parliamentary train" ceased only when third-class fares were generally reduced to one penny per mile. This was done by the Midland Railway in 1872, and other companies followed suit.

³ Several elements were involved in the settlement of a railway rate. It included charges for:

- (a) The use of the road for locomotives.
- (b) Haulage.
- (c) The use of rolling stock.
- (d) Collection and delivery.
- (e) Terminals, which included loading and unloading and warehouse accommodation.

Only the first three charges were authorised before 1845. They were three separate tolls for distinct services. In 1845 they were consolidated, and the rate then authorised was less than the total of the tolls which were superseded. Terminal charges were authorised at the same time, and maxima were fixed. They were to be quoted separately from other charges.

A railway company might charge only for services which it actually rendered. A factory which had its own trucks and sidings could send goods by paying only for the use of the road and for haulage.

classification within the maxima permitted. In 1846, as already stated, it was required that new railways, except the Great Western and its associated lines, should conform to standard gauge.

From time to time commissions were appointed to examine various aspects of the problem of railway control, but little was achieved. A committee, presided over by Mr. Cardwell, sat in 1852 and 1853 to make inquiries into the working of the railways, and as a result of its deliberations a Railway and Canal Traffic Act, commonly known as Cardwell's Act, was passed in 1854. It directed railway companies to afford all reasonable facilities for the carriage of goods, and it again forbade the giving of preferences. This was another ineffective attempt to deal with a serious and growing evil. So long as the companies enjoyed a free hand in fixing the rates at which they would carry goods, subject to the maxima fixed by law in 1845, they could, by quoting different rates to rival manufacturers, ruin some and enrich others. Preference could be shown in other ways than financial, as, for example, in forwarding the goods of one man more promptly than those of another. Corrupt influences could be, and probably were, brought to bear on railway officials. A dispassionate view of the matter made it clear that the only remedy for the evil was to be found in the standardisation of rates and their imposition by authority. For this change of policy the Government was not yet ready, and Cardwell's Act remained for many years ineffective.

Many schemes for the amalgamation of small companies into large monopolistic concerns were brought forward for parliamentary sanction. Opinion in Parliament was divided between a recognition of the inherent merits of the schemes and a devotion to the doctrinaire view of the desirability of maintaining open competition. The pressure of circumstances was ultimately strong enough to overcome the tendency to *laissez-faire*, and it was at length recognised that more systematic control of the railways must be undertaken by the State. Consequent upon the report of a committee of inquiry held in 1872 the Railway and Canal Commission was, by the Regulation of Railways Act, established in 1873. Set up originally for a period of five years, it was continued after 1878 from year to year, and it became permanent in 1888. The commissioners were to be three in number and were to include an eminent lawyer¹ and a person experienced in railway management.² The functions assigned to

¹ The legal member was invariably a judge of the High Court.

² The qualifications of the third commissioner were not laid down in the Act; he has been described as "a Christian at large."

the Commission included the enforcement of the law which prohibited preferences, the examination of proposed amalgamations, the determination of the reasonableness of through rates, the adjudication of disputes between companies, and the sanctioning of proposals to buy up canals. Approval was not to be given to the purchase of a canal or to the acquisition of control over its management by a railway company unless the proposed arrangement was consistent with the maintenance of the interests of the public, and it was ordered that canals under railway management were to be maintained in efficient working condition. The Act of 1873 also required the companies to keep rate-books at every station. They were to be open to public inspection during reasonable hours and without fee, and in these books charges for haulage were to be distinguished from those for terminals.

The Commission did not immediately attain the full measure of success which afterwards attended its working. It did not at once win public confidence, and people who had grounds of complaint were not always willing to come forward. Its powers of enforcing its decisions were inadequate, and it was sometimes asserted that the judgments of the Commission were ignored by the companies. But the companies were not desirous of alienating public opinion by openly flouting the Commission, the very existence of which had a moderating influence upon them. The Commission failed to prevent some further amalgamations, but it certainly met with success in at least one direction, since preferences to individuals appear to have ceased—though complaints were still made of preferences as between district and district.

A further stage in the establishment of public control over the railway companies was marked by the passage, in 1888, of the Railway and Canal Traffic Act, by which the Commission was established on a permanent basis, and an effort was made to bring about a satisfactory settlement of the vexed question of railway rates. For some years dissatisfaction had been expressed by traders and manufacturers at the level of rates then prevalent; it was contended that in a time of industrial and commercial depression such as existed in the last quarter of the nineteenth century railway rates should be reduced, while the companies maintained that the extension of facilities which they were providing would justify an advance. The Act made provision for the settlement and publication of railway rates, and it attempted to meet the complaints of district preferences by forbidding the imposition of a greater charge for a short haul than for a longer haul of which the

shorter formed a part,¹ and by prohibiting preferential rates for the carriage of foreign goods.

The settlement of railway rates in accordance with the Act occupied the attention of the companies for some years. A new classification of goods² was undertaken by the companies and submitted to the Board of Trade, and maximum rates for each class were proposed and published. Classification was based upon the value of the goods rather than upon weight and bulk, since it was obviously impossible to charge as much for cheap but heavy goods as for more costly articles. Some classes of goods would be more profitable to the companies than others. On the least profitable there would be only a small margin of gain, and it was understood that the companies would look to the carriage of other classes of goods for their returns.

Thousands of objections were lodged, and their consideration occupied nearly three years. The companies ultimately agreed upon new schedules, which authorised an advance in the rates for some classes of goods but permitted a reduction in those for certain others. These new rates were confirmed by Parliament and were to come into force on 1st January, 1893, when, as was to be expected, the companies fixed all rates at the maxima permitted under the new schedules. This was satisfactory to traders whose commodities were carried under the lower rates, but those who were faced with a demand for higher charges, and who, possibly, had expected a reduction, were indignant. The companies attempted to meet the storm by hinting that the new rates were provisional only, and that modifications and adjustments might

¹ This had occasionally happened. If two towns, X and Y, were connected by two rival lines, neither company could afford to charge higher rates than the other. But a third town, Z, lying between X and Y on one line and not served at all by the other, would be at the mercy of the company, which might extort higher rates for the distance XZ than for XY. This practice was now forbidden.

² The Railway Clearing House classification was adopted, with some modifications. There were eight classes: A, B, C, 1, 2, 3, 4, and 5. Class A included goods such as coal which were carried at the cheapest rates, and the carriage of goods in class 5 was at the highest rates. All rates were divided into terminal charges and conveyance charges. Terminals were subdivided into Station terminals, at each end, and Service terminals, which were further subdivided into charges for unloading, loading, covering, and uncovering. Conveyance charges were tapered, i.e. the average rate per mile decreased as distance increased, but this did not apply to horses (threepence per mile) nor to corpses (one shilling per mile). A bonus mileage was charged on the carriage of goods over certain sections of line which had been very expensive to construct, e.g., the Forth Bridge and the Severn Tunnel. The classification remained in force until 31st December, 1927.

be made after experience had been gained of their working. But protests continued to pour in, and in March, 1893, the companies reverted to the old rates, with an addition of five per cent in all cases in which this increase came within the maxima permitted. The outcry was maintained, and the Railway and Canal Traffic Act of January, 1894, declared that any advance on the rates prevalent in 1892 should be regarded as *prima facie* unreasonable. The Railway and Canal Commission was empowered to deal with complaints, and the burden of proving that the increase was justified by an increase in the cost of the services was laid on the companies. The effect of the Act was to compel the companies to submit to the reductions in classes of goods in which they had been arranged and to prevent the increases in other classes from taking effect. Henceforward the companies were reluctant to try experiments in the reduction of rates, lest they should not be permitted at any future time to raise them to the former level.

In the year 1896 the appointment of a Light Railways Commission was sanctioned by Parliament. It was felt that certain parts of the country, mostly rural, were inadequately served by existing railways, and that deficiencies in the existing network might be made good by the construction of light railways. Schemes might be submitted to the Light Railways Commissioners, who would report upon them to the Board of Trade. If the Board gave approval no further preliminary proceedings were required, and land might be compulsorily purchased and lines constructed. Financial assistance might be rendered on certain conditions by the State. No great amount of railway construction was undertaken in consequence of the establishment of the Light Railways Commission, which was used mainly for the authorisation of schemes for tramways on public roads.

During the period 1890-1914 there was very keen competition among the companies to secure additional traffic, both passenger and goods. Much of the expenditure of a railway company does not increase in proportion to the traffic carried. The capital expenditure on buildings, permanent way, and signalling system, and the expenditure on station staff, signalling staff, and maintenance staff varied little; the running of an additional train costs a company no more than the wages of the train staff, with the expenditure of a pound or two for coal. Attempts were made, therefore, to attract certain kinds of traffic by the offer of very low rates, it being felt that any kind of traffic was better than none at all.

The tendency to amalgamation which was so pronounced in

the middle of the nineteenth century continued to be in evidence. In 1899 a working union of the London Chatham and Dover Railway and the South-Eastern Railway was made, but it was arranged that the capital accounts of the two companies should be kept separate. These two lines served the same district, and each of them reached every considerable town in Kent. From time to time during a period of thirty years attempts had been made to bring about this union, and an arrangement for pooling the receipts from continental traffic was reached as early as 1865. It is probable that full union would have been arranged many years earlier had not the chairmen of the two companies, Mr. Forbes and Sir Edward Watkin, been personally antagonistic to each other. In 1908 a working agreement was entered into between the London and North-Western Railway Company and the Midland Railway Company, and in 1909 it was joined by the Lancashire and Yorkshire Railway Company. Soon afterwards the Great Western Railway Company and the London and South-Western Railway Company entered into an agreement by which competition between them was to be eliminated. In 1909 a union of the Great Northern, Great Eastern, and Great Central Railway Companies was negotiated, but Parliament refused its sanction to the proposal; the companies thereupon entered into a working arrangement, without parliamentary concurrence, for the purpose of terminating unnecessary competition. In 1912 the London Tilbury and Southend Railway was absorbed in the Midland Railway.

The twentieth century witnessed the provision of many additional facilities by the railway companies. More non-stop trains were scheduled, with the consequential addition to the time-tables of slow trains to serve smaller stations. Improved types of passenger coach were introduced; corridor carriages and saloon coaches, restaurant and buffet cars and sleeping cars, were run on long-distance journeys, and on some lines Pullman cars were provided. The extended facilities were not accompanied by a general increase in charges; ¹ railway fares were, in fact, indirectly lowered, since there was a considerable issue of season, excursion, workmen's, week-end, fortnightly, and tourist tickets at reduced fares.

The railway companies offered to the public other services in addition to the running of trains. They established hotels in most of the large towns; their fleets of steamships maintained communication between British and continental ports (and those

¹ Until the increase of ordinary fares by fifty per cent in January, 1917.

of Ireland), so that it was possible for a traveller to book in London for a journey by train, steamship, and train to a distant continental city; and in more recent years they established air services to all parts of the British Isles.

The improvement in third-class accommodation led to a reduction in the number of passengers who travelled by second class, and, except in a few districts where it was retained for special reasons, the provision of this accommodation was discontinued. The retention of the first class came into question; first-class carriages were rarely fully occupied, so that an excessive amount of dead weight had to be hauled for each first-class fare received. It was thought that the removal of first-class carriages and the establishment of single-class travel might be to the advantage of the companies, and in 1938 a step was taken in this direction by the abolition of first-class travel on all lines within the region served by London Transport. At the time of writing it is not possible to state whether the system of single-class travel will be extended to all parts of the country on state-owned railways.

These were by no means prosperous years for the railway companies. Working expenses mounted up steadily. The increase of facilities necessitated the construction of more and better rolling stock. Trains were heavier, and greater haulage power was required, so that more powerful locomotives had to be built. Expenditure on safety devices, such as improved types of brake and signal, was always being called for. Overhead charges, such as rates and taxes, steadily advanced, and so did the cost of coal. With the development of trade unionism among railway workers, who were by no means well paid, there was a definite move for improved conditions. This is referred to elsewhere, but it may be pointed out here that it involved the companies in increased expenditure. Many of the branch lines which had been constructed in order to bring traffic to the main lines were not in themselves remunerative, and the companies were not permitted to close any section without express parliamentary sanction. On the other hand, the companies were able to save money in some directions. It is arguable that expenditure on safety devices was not all loss, since the lessened frequency of accidents reduced the liability of the companies in that direction. The general substitution of steel for iron rails, also, was to their advantage, since steel rails were more durable and not much more costly.

In 1913 a Railway and Canal Traffic Act was passed which authorised an increase in rates, and, in certain cases, in fares. This was a concession to the companies to compensate them for the

improvements in working conditions which they had granted to their staffs.

In 1914, at the entry of Great Britain into the European War, the general control of the railways was assumed by the Government. Their working management was left in the hands of the staffs of the companies, but the necessity of transporting enormous bodies of troops and vast masses of military equipment of all kinds made it imperative that the resources of the railways should be at the disposal of the Government. The general condition of the railways suffered during the war period,¹ and after the re-establishment of peace it was decided to reorganise the whole system. It was felt that restoration to full efficiency could be achieved most economically through amalgamations which, in earlier years, had been discouraged or forbidden by the State. In 1921 an act was passed by which one hundred and twenty-one of the railways of Great Britain were grouped into four great companies,² the London and North Eastern, the London Midland and Scottish, the Great Western, and the Southern; these amalgamations were to take effect from 1st January, 1923. Savings in railway expenditure were expected through the elimination of competition, by the reduction of administrative costs, and from technical economies, and it was hoped that a new era of prosperity was about to dawn.

A Railway Rates Tribunal was established to fix rates, fares, and other charges at such a level as would provide the companies with a "standard revenue." This was defined as an amount equal to the aggregate revenue of the constituent companies in the year 1913, together with an amount equal to five per cent on new capital expenditure.³ As it was expected that the amalgamations would produce economies, it was arranged that one-third

¹ The Government paid £60,000,000 as compensation for depreciation and use of the railways during the war.

² Outside the four great lines were ninety-three small ones. These may be classed as follows:

- (a) Lines jointly owned by two or more of the great companies.
- (b) Suburban and tube railways.
- (c) Narrow-gauge railways.
- (d) A few very short lines.

³ Standard revenues were fixed as follows:

L.M.S.R.	£20·3 millions
L.N.E.R.	£14·8 "
G.W.R.	£ 8·3 "
S.R.	£ 6·6 "
Total	£50·0 "

of the amount saved as a result of amalgamation, and one-fifth of what was saved by subsequent economies, should be retained by the companies; the balance was to be applied to the reduction of charges. The classification of goods arranged in 1891 and 1892 was abolished, and a new grouping, in twenty-one classes, was adopted, with additional sections for perishable traffic, live stock, dangerous goods, and empties. Schedules of the charges proposed by the companies were lodged with the Tribunal in July, 1923, and, as was to be expected, many hundreds of objections were raised. The final settlement took some time, and it was arranged that the new fares and rates should be effective from 1st January, 1928. Rates were fixed at approximately sixty per cent above the pre-war level; first-class fares were fixed on a basis of twopence-halfpenny per mile, and third-class fares at three-halfpence per mile. The schedules of standard charges were to be printed and sold to the public at a reasonable price.

An important feature of the new rates was that they were standard rates, and not maximum rates. The companies were not permitted, normally, to deviate from these standard rates by charging either less or more. If for any reason a company desired to reduce its charges below the standard fixed by the Tribunal it proposed special rates, which required the sanction of the Tribunal before being put into operation.

The wages and conditions of work of the employees of the railway companies were regarded as matters in which the public, as well as the parties immediately concerned, was interested. The Act of 1921 contemplated the settlement of these questions by orderly negotiation between the companies and the unions. Each railway should have one or more councils consisting of officials of the company and representatives of the men, and to these bodies matters in dispute should be referred. In the event of failure to reach agreement the matter at issue should be referred to the Central Wages Board, which was to consist of eight representatives of the companies, four of the National Union of Railwaymen, two of the Amalgamated Society of Locomotive Engineers and Firemen, and two of the Railway Clerks' Association. (The Act thus specifically recognised the existence of these three unions.) From the decisions of the Central Wages Board an appeal could be made to the National Wages Board, which could deal also with questions on which the Central Wages Board had failed to reach a decision. The National Wages Board was somewhat differently constituted. It included six representatives of the companies, six of the unions (two of each union mentioned above), and four of the users of the

railways—one each to be nominated by the Parliamentary Committee of the Trade Union Congress, the Co-operative Union, the Association of British Chambers of Commerce, and the Federation of British Industries. An independent chairman was to be nominated by the Minister of Labour.

In course of time dissatisfaction was felt with the working of this system, and in 1935 it was abolished. A Railway Staff National Council, consisting of representatives of the companies and the unions, was set up to take the place of the Central Wages Board. The scope of this Council was to be wider than that of the Wages Board; it was empowered to consider, in addition to questions of wages and conditions of employment, all matters of mutual interest to staff and management. Failure to reach agreement on any important question was to be followed by reference of the topic in dispute to a Railway Staff National Tribunal of three members—one representing the companies and one the unions, with a chairman appointed by agreement or by the Minister of Labour. The decisions of the Tribunal were not to be absolutely binding on the parties, but it was agreed by both companies and unions that there should be neither lock-out nor strike until the dispute had been investigated by the Tribunal.

In so far as the Act of 1921 was intended to eliminate competition among the railway companies its purpose was not altogether achieved. There was a very considerable overlapping of the territories covered by them, and many towns were served by more than one line. Competition for both goods and passenger traffic continued, and, as fares and rates were fixed by the Railway Rates Tribunal, this competition necessarily took the form of increased facilities. Further, a good deal of competitive advertising was undertaken in order to attract holiday traffic.

Nor were the amalgamations under the Act of 1921 followed by an increase of prosperity. For some years the companies were faced with declining receipts, and they never succeeded in earning the full standard revenue. To some extent their lack of prosperity was a reflection of depression in trade, but other factors contributed to it. Labour troubles were not absent, and though railway workers, with a strong sense of their responsibility to the public, were always reluctant to strike, their applications for increased remuneration could not always be evaded. But the most serious reason for the difficulties of the railways was the competition of motor traffic. To an ever-increasing extent people travelled by car; private motoring was independent of time-tables, it conveyed people from door to door, and, if two or three or four people went

together, it was much cheaper than travelling by train. The competition of the transport of goods by road was even more serious, for the road haulage companies, unlike the railway companies, were not common carriers. They could select their loads; they carried the more valuable produce on which the railway companies would have been entitled to charge fairly high rates; they left the heavier and cheaper loads to the railways. The cream of the traffic went by road, the less profitable by rail.

This was a state of affairs which had not been contemplated when the classification of goods and the rates for their carriage by rail had been settled. Some relief was afforded to the railway companies in 1937, when the Railway Rates Tribunal authorised an increase of five per cent in fares and rates. But it was by no means certain that this would be to the ultimate advantage of the railways; an increase in their charges might drive still more of the traffic on to the roads.

Towards the end of 1938 the four railway companies acted in concert in making public an appeal for a "Square Deal." (The appeal, which was addressed formally to the Minister of Transport, was advertised widely, no doubt with the intention of influencing public opinion.) The companies complained of the restrictions to which they, by comparison with the road haulage companies, were subject, and they pleaded for greater freedom in the classification of goods and in the fixing of charges and the framing of conditions for their conveyance. They did not seek to evade their obligation to provide reasonable facilities, rates, and conditions for the carriage of merchandise, and they hoped that it might be found possible for rates to be settled by agreement with associations of traders. The Minister of Transport referred the application of the companies to a Transport Advisory Council for consideration, and in May, 1939, the Council pronounced in their favour. It recommended that the existing system of controls should be abandoned and that railway companies should be empowered to make such charges and conditions as they thought fit, subject to certain specified safeguards. The new plan was to be operative for five years, within which period it was hoped that a scheme of co-ordination of all forms of transport could be formulated.

What might have happened in more favourable circumstances is a matter for speculation. Possibly more efficient and more economical working, coupled with greater freedom and further extension of facilities, would have enabled the railway companies to hold their own. In any case it is likely that they would have

retained long-distance passenger traffic, and would have monopolised the carriage of heavy and bulky goods, such as coal.

But the whole position was changed by the outbreak of war in September, 1939, and during the war years the working of the railways was determined by military rather than economic considerations. As in the war of 1914-18 they were a vital factor in the nation's military effort, both defensive and offensive. They passed under the control of the Government, though their actual management remained in the hands of the companies and their officials. In February, 1940, a scheme was evolved by which the companies were guaranteed a revenue which would be not less than £40,000,000 per annum, and which might be increased to as much as £56,000,000 per annum. This was superseded in the following year by another scheme; the revenue of the companies was fixed at £43,000,000 per annum,¹ the Government assumed the risk of profit and loss, and the cost of repairing war damage was to fall in equal shares on the Government and the companies. In other words, the Government took the whole of the railway receipts and paid the companies a rental of £43,000,000 per annum, out of which they had to provide their share of making good damage done by the enemy. The arrangement enabled the Government to move unlimited numbers of troops, civil servants, and evacuated persons, and unlimited quantities of war material without further charge.

The condition of the railways deteriorated during the war years. Normal replacements of locomotives and carriages and trucks could not be made; locomotives were overworked, and could not be withdrawn from service for overhaul as frequently as was desirable; only with the most strenuous efforts could tracks be maintained in reasonably good condition; railway staffs were depleted. (The companies, of course, were in no way to blame for the condition into which their property had fallen.) It was evident that the restoration of the railways to full efficiency after the war would be a serious and urgent undertaking.

The Labour Government which assumed office in 1945 decided that the work of restoration could not be left to the companies,

¹ The revenue was apportioned as follows:

G.W.R.	£ 6,670,000
L.N.E.R.	£10,150,000
L.M.S.	£14,730,000
S.R.	£ 6,610,000
London Transport	£ 4,840,000
Total	<u>£43,000,000</u>

and that the railways ought to be nationalised. British railway history in the nineteenth century and the early years of the twentieth had witnessed a series of amalgamations, culminating in the establishment of the four companies. There was no magic in the number four, and the history of railway amalgamation invited the supposition that the four would ultimately become one—either one private company, or a Government department like the Post Office, or a semi-public body similar to the British Broadcasting Corporation. The Government chose the last of these alternatives, and in the Transport Act of 1947 a Transport Commission was set up to acquire and control not only the railways but also the canals and the road haulage undertakings; these were to be welded into a unified system of transport. The Railway Rates Tribunal and the Railway and Canal Commission were abolished, and their functions were assumed by a new Transport Tribunal, whose approval of schedules of fares and rates was to be obtained. As indicated earlier in this chapter, all rolling stock was acquired by the Transport Commission.

The time for comment on the working of these arrangements has not yet arrived, but it may be noticed that they mark the final disappearance of a principle which Parliaments and Governments in the nineteenth century were anxious to preserve—the competition of railway with railway and of railways with other forms of transport. Transport was to be no longer competitive but monopolistic—a monopoly publicly owned, but nevertheless a monopoly.

CHAPTER XXIII

AGRICULTURE SINCE THE MIDDLE OF THE NINETEENTH CENTURY

ENGLISH agriculture was not ruined by the repeal of the Corn Laws. The depression which had prevailed since 1815 was less acute after 1840, and, although a temporary set-back was experienced after the repeal, the thirty years which followed were years of such prosperity that the period is styled the Golden Age of English agriculture.

In spite of the fact that corn might now be imported free of duty (or practically so), the English farmer was not overwhelmed by foreign competition. It was pointed out by Cobden that the mere cost of the transport of corn from Danzig to an English port was equivalent to a protective duty of ten shillings per quarter. Further, in no part of the world was there at that time such a surplus of wheat as to make possible the flooding of the English market. Not until the construction of transcontinental railways in North America made possible the growing of wheat on the prairies and the development of steamships facilitated its cheap and rapid carriage across the Atlantic did British agriculture feel the full force of foreign competition.

A full generation had now passed since Waterloo; by this time landlords had become reconciled to the acceptance of more reasonable rents, and farmers had learned that the swollen corn prices of the war years were no longer to be expected. Both classes had adjusted their position accordingly. National and local taxation were lower; the ending of the allowance system had brought about a substantial reduction in the poor-rates. Owing to the gold discoveries in Australia and California and to other circumstances, the third quarter of the nineteenth century was a period of rising prices and of general prosperity. There was abundance of employment, and wages tended to advance. Artisans and factory operatives were better off than they had been before; food-stuffs were in increasing demand, and while the price of bread was not exorbitant the market price of corn was well maintained.

The long period of depression through which he had passed had convinced the British farmer of the necessity of working out his own salvation. The improved methods of cultivation which

had been introduced by the best farmers during the eighteenth century and the early years of the nineteenth century were now more generally adopted. The formation of the Royal Agricultural Society and of numerous county Agricultural Societies was beneficial to farming in more than one way. Annual agricultural shows were held; information as to up-to-date methods was available, and the competitive spirit which was engendered encouraged farmers to do their best. Fresh capital was introduced into the industry and use was made of the results of scientific research. The study of agricultural chemistry became something more than guess-work, and its results were seen in the more scientific cropping and fertilising of the land. Guano, bone-meal, and phosphates were applied to the soil. Swedes, kohlrabi, and mangel-wurzel were grown. Beans, linseed, and Indian corn were imported for the feeding of cattle, and improvement in the breeding of farm stock continued. The use of machinery became widespread. Drills, threshing machines, steam ploughs, and reaping machines came into common use on English farms. Better methods of land drainage were introduced as it became more widely recognised that land when waterlogged was less productive.

Not the least of the factors which contributed to the prosperity of English agriculture in this period was the establishment of the railway system in this country. A wider market was opened up for the sale of farm produce, and the farmer was no longer compelled to dispose of his corn and cattle in neighbouring market towns through the difficulty of sending them farther away. The railways also facilitated and cheapened the buying of machinery, fertilisers, and seed-corn.

In this period of prosperity there was one sinister feature, which was unnoticed at the time, or, if observed at all, was not regarded as important. The "rural exodus" began. The labouring class suffered terribly after the Poor Law was reformed and doles were stopped, in 1834. Wages were slow to rise, and very little of the shower of gold which fell upon landlords and farmers touched their employees. But the labourer was no longer without an alternative occupation. The older men remained on the land, but their sons and grandsons drifted in ever-increasing numbers to the towns. Work was found for hundreds of thousands of men in the construction of railways, and, after their completion, in their working; the attendant and subsidiary industries (the production of iron, bricks, stone, etc., the materials required in railway building) absorbed many more. Many other urban industries

needed hands, and towns were able to give employment to all the country lads who entered them.¹

If the third quarter of the century was the golden age of English agriculture the last quarter was a time of unrelieved and unexampled depression. Between 1875 and 1884 cold springs and rainy summers were responsible for poor harvests;² between 1884 and 1892 only two good harvests were gathered in, and during the nineties the crops suffered from drought. This was bad enough, but outbreaks of disease among farm stock added to the difficulties of the farmer. Cattle suffered from foot-and-mouth disease and from pleuro-pneumonia, sheep from liver-rot, and pigs from swine-fever. The losses to breeders from the destruction of stock were enormous, though in the long run some advantage was gained by the strict enforcement of regulations which aimed at the extirpation of stock disease and the establishment of better sanitary conditions in the keeping of cattle.³

If these misfortunes alone had occurred they might have been overcome, and farmers might in time have recovered their prosperity. But British agriculture was now exposed to the full force of foreign competition. The building of transcontinental railways in North America led to settlement on the prairies and the transformation of these fertile lands into great wheat-producing regions.⁴ The new railways provided cheap transport to the coast, freights across the Atlantic were cut to the lowest possible point (since at this time there was an amount of tonnage afloat in excess of the requirements of the world's trade), and as other countries by their

¹ Other factors than the question of wages contributed to stimulate the rural exodus. Housing conditions in the country were very bad. Cottages were scarce, and were often in a state of disrepair. It was common for young labourers to be unable to marry through inability to secure cottages. Nor could suitable dwellings be erected to be let at rents which labourers could afford to pay. Further, the labourer in the country was in a subservient, even in a humiliating, position. Frequently his cottage was "tied" to a farm, and if he left his employment he was compelled to vacate his dwelling-house, with no prospect of securing another. Often he was forbidden by his employer to keep pigs or poultry, and, after the institution of allotments, to accept one without his master's consent. If at busy times the farmer required the wife and children of the labourer to undertake field work they dared not refuse. Any independence in the expression of political opinion was of course out of the question.

² The harvest of 1879 is said to have been the worst in the century.

³ Under the Contagious Diseases (Animals) Act of 1878.

⁴ Prairie settlement in North America was stimulated by a serious industrial collapse which occurred in the United States in 1873. Men were driven west of the Mississippi by necessity to seek a livelihood upon the virgin soils of the prairies.

tariffs kept this North American wheat out it flooded the British market. Cheap wheat began to appear from the United States in the seventies and from Canada in the eighties.¹ Wheat was imported also from Russia, India, Australia, and the Argentine, and it was sold at prices at which the British farmer could not possibly compete and make a profit. This was not all. The development of refrigerating processes made it possible for frozen mutton to be sent from Australia and New Zealand, and chilled beef from the Argentine, to Great Britain, while quantities of canned beef and fish were received from the United States. Butter and margarine, cheese, potatoes, and fruits were imported in great quantities from various parts of the world.

The period was characterised by a steady fall in the general level of prices, and the quotations for agricultural produce dropped, thus conforming with the general tendency. Wheat fetched 44s. per quarter in 1875, and over 50s. in 1877, but by 1885 its price had dropped to 32s. The fall continued, and in 1894 it reached the record low level of 17s. 6d. The position was due to some extent to the fall in the value of silver,² as compared with that of gold, which occurred in the period under review. The currencies of those countries which retained a silver standard depreciated seriously, and the course of international trade was profoundly affected. In India the rupee was, in 1872, worth two shillings; by 1893 it was worth only a fraction over a shilling. Wheat, rice, and other foodstuffs were purchased by merchants in India for export to England; they were paid for in rupees but were sold for sterling. When a pound sterling could be exchanged for nearly twenty rupees instead of ten it is obvious that it would buy a much larger quantity of Indian produce than formerly and that this produce could be sold in England very cheaply. The fall in the value of silver thus added to the difficulties of the British farmer.

Rents steadily fell, and in many cases they had to be remitted altogether. In spite of this much land went out of cultivation and many farmers became bankrupt. Through lack of return, capital ceased to be invested in land.

To other difficulties were added labour troubles. Farmers contemplated reducing the wages, already woefully inadequate, of their men. The labourers, many of whom were by this time members of the Agricultural Labourers' Union, pressed for increased remuneration at a time when their employers were harassed on all sides. Failing in their demands, they continued to desert

¹ The Canadian Pacific Railway was completed in 1885.

² See p. 314.

the land; they flocked to the towns, and there was a steady migration of young labourers to Canada and Australia, where they were in great demand and their prospects were better than in England.

In 1882 a Royal Commission under the presidency of the Duke of Richmond investigated the causes of the depression. In its report the Commission enumerated the factors which were responsible for the condition of agriculture at the time. Bad harvests, heavy rates, cattle disease, lack of agricultural education, high rents, unfair railway rates, and foreign competition were mentioned as contributing to the depression. The Commission found, however, that the distribution of the depression was unequal, it being most acute in the south and east (except in Kent) and least in the north-west and south-west.

Between 1893 and 1897 another Royal Commission sat under Lord Eversley. In its report it pointed out the effect on agriculture of the fall in the value of silver, and it drew attention to the tremendous loss of capital by farmers and landlords during the depression. Much corn-land had passed out of cultivation and could not be restored. The best labourers had migrated into towns, and the quality of the remaining labour was inferior. Only farmers who possessed ample capital and smaller men who were not to any great extent dependent upon hired labour had been able to weather the storm. The Commission considered that in the circumstances of the time the most profitable forms of agricultural activity were market gardening, fruit growing, dairy farming, flower growing, and poultry farming, and, in the Fenland region, the production of potatoes and bulbs.

The lowest point was reached before the end of the century, and in the early years of the twentieth century signs of improvement were to be observed. Farmers realised, as their fathers had done fifty years earlier, that they must adapt themselves to new conditions. They could not hope to stem the import of food-stuffs, and although there was no further diminution in the production of wheat in Great Britain the more enterprising farmers turned their attention to other forms of production than the growing of cereals.

The rearing of cattle continued to be profitable, in spite of the import of frozen meat, since English meat was regarded as preferable to that from abroad and realised a higher price. The stock-farmer now reaped the benefit of the drastic measures taken in past years to stamp out cattle disease. Men who commanded large amounts of capital engaged in pedigree stock-breeding. This was extremely profitable, as English pedigree bulls and rams could

be sold for very high prices; they were exported to the Argentine and other countries, where deterioration of herds and flocks was to be feared if inbreeding were permitted.

The quantity of milk, eggs, butter, and cheese consumed in this country increased year by year, and dairy and poultry farming proved to be profitable,¹ especially in the vicinity of towns. Foreign competition was experienced in respect of each of these commodities, but, as in the case of meat, the foreign article was regarded as inferior to that produced at home. Imported supplies provided cheap food for the working classes; the English producer relied on the patronage of the middle and upper classes.

Year by year the demand for fruit and vegetables increased, and farmers whose land was suitable in quality and situation devoted themselves to the growing of potatoes, cabbages, peas, and other vegetables for the home market, while in some counties large areas were given over to the production of fruit. Fresh fruit was sent into the towns, and surplus produce found its way to jam factories.

Some of these forms of production were of a type for which a good deal of labour and much attention to detail were required. With the rural exodus showing no sign of abatement, labour became increasingly scarce in the country, and attention was directed to the possibility (and desirability) of reviving small holdings. It was thought that a small farm of from twenty to fifty acres, in which labour was supplied mainly by the farmer and his family, might be worked more satisfactorily than a large farm staffed by hired labourers. The small-holder would have a personal interest in the success of his work and would give that attention to detail which was so necessary in intensive cultivation. On social grounds, too, it was held to be desirable to encourage the revival of a class of peasant cultivators.

Landlords, however, preferred as tenants men who possessed more capital than small-holders were likely to have. The tenants of small holdings were likely to give more trouble and to pay their rents less regularly than substantial farmers. For this reason landowners were not disposed to initiate a small-holdings movement. The Government stepped in, and by an act passed in 1892 county councils were empowered to purchase land, fence it, erect houses and farm buildings upon it, and sell it to applicants in

¹ The extent of land under pasture increased from 12,000,000 acres in 1872 to over 17,000,000 acres in 1904. Labour costs are less for pasture than for arable, but it should be observed that several years must elapse before newly laid pasture becomes profitable.

farms of from one to fifty acres. Prospective purchasers might be attracted by being offered very easy terms of purchase; the repayment of loans made for this purpose might be extended over a period of fifty years. The Act was not very effective. The initiative was left to the county councils; they might provide small holdings but they were not compelled to do so, and landowners who did not wish to sell their land could hold it back. The Small Holdings and Allotments Act of 1908 transferred the initiative to the Board of Agriculture. County councils were now compelled to provide small holdings for suitable applicants, and if they refused to do so the Board might intervene and appoint commissioners to carry on the work. Power was given to the councils to acquire land compulsorily, the price being fixed by arbitration, and the holdings might be either let to applicants or sold to them on easy terms.

Only enthusiasts for the movement can regard the working of the Act as a success. Between the passing of the Act and the outbreak of the war of 1914-18 some thousands of small holdings were created, but nothing like the re-establishment of a class of peasant proprietors was achieved. It was useless to offer an applicant a holding unless it included a house, since by the nature of his work it was necessary for him to live on the spot. The cost of building proved to be a serious drawback to the movement, as it enhanced the cost or the rent of the holding. Further, it was hoped by the promoters of the movement that the applicants for small holdings would be drawn from the class of agricultural labourers, men who thoroughly understood farm work and who were accustomed to the conditions of country life. In actual fact less than one-third of those who applied were of this type, and the migration of labourers to the towns and the colonies continued. The majority of applicants were from other classes, not a few being men who had failed in other walks of life. Such men, it is hardly necessary to point out, were not likely to become successful small-holders. Experience proved, too, that it was a mistake to permit the renting of small holdings. The majority of applicants rented their plots instead of buying them; they were thus able to leave if the venture did not pay or if they tired of it. If they had sunk some part of their capital in the purchase of their holdings, even on the very easy terms offered, there would have been greater inducement to stay and try to make a success of the venture.

By the Land Settlement (Facilities) Act of 1919 an attempt was made to establish small holdings for the benefit of ex-service men. The success of this scheme was impaired by the high cost of land

at the time, and only a few thousands of men took advantage of it. A further Small Holdings and Allotments Act was passed in 1926,¹ and an Agricultural Land (Utilisation) Act was passed in 1931. By this latter measure the establishment of a further type of small holding, of about five acres, was authorised. Such holdings were to be near urban areas, and the provision of houses upon them was not contemplated. It was hoped that these holdings would be assigned to suitable unemployed men and that they would be used for market gardening or poultry farming. For financial reasons little action was taken under the Act.

Small holdings have shown most advantage over large farms when they have been used for the rearing of pigs and poultry and the growing of vegetables, least when they have been devoted to dairy and fruit farming. Dairy farming under modern conditions requires machinery which is used to greatest advantage when the undertaking is on a large scale; fruit farming is too precarious for the small-holder. In general, small-holders work harder, pay higher rents, and live nearer the starvation line than the holders of large farms. They are men of limited resources and they are unable to command the amount of credit which would enable them to carry on in the interval between the sowing and the harvesting of their crops. They do not always sell their produce to the best advantage; to some extent this might be remedied by co-operative marketing.

A less ambitious, but more successful, attempt to improve the condition of rural workers took the form of the allotment movement. An allotment was a small piece of land, varying in area from ten rods to an acre, on which a working man might grow vegetables for his own use or for sale. The allotment was much smaller than the small holding; it was not intended to provide a living for its holder but to give profitable occupation for his spare time. By an act of 1882 local authorities were empowered to purchase land for the purpose of letting it in allotments; in 1887 they were compelled to do so. Allotments have been provided on the outskirts of towns as well as in rural districts, and many allotment-holders are town workers. During the war of 1914-18 the movement spread rapidly; local authorities were empowered summarily to seize unoccupied land for conversion into allotments,

¹ By the Small Holdings and Allotments Act of 1926 a small holding was defined as an agricultural holding which exceeds one acre and either does not exceed fifty acres or, if it exceeds fifty acres, is of an annual value not greater than £100. In Scotland the maximum annual value of a small holding greater than fifty acres in area is £50.

the cultivation of which was not confined to men of the working classes.

Technical education in agriculture was encouraged by the Government and the county councils. Part of the money received by the State from the excise duties on whisky was returned to the county councils in order to enable them to establish technical colleges, to set up evening classes, to organise courses of lectures, and to employ travelling instructors to assist and advise farmers and small-holders.

During the past sixty or seventy years many acts were passed by Parliament to deal with problems arising out of the condition of agriculture. In 1875, 1883, 1900, and 1906 Agricultural Holdings Acts were passed to protect tenant farmers who had improved their farms from being evicted without compensation. In 1878 the Contagious Diseases (Animals) Act was passed to enforce better sanitary regulations in the management of farm-stock. The Ground Game Act of 1880 was intended to afford protection to crops from the depredations of rabbits and other creatures. Acts were passed in 1893 and 1899 to prohibit the sale of articles of food under false descriptions (such as the selling of margarine as butter).

It had long been contended by farmers that the system on which they were rated was unfair, and by the Agricultural Rates Act of 1896 they were relieved, to the extent of three-quarters, of the payment of rates on their land. By the Agricultural Rates Act of 1929 they were relieved of payment of the remaining fourth, so that they are now called upon to pay rates on their houses only. These measures called forth a good deal of criticism, it being contended by their opponents that in the long run the relief would find its way to the landlords in the form of increased rents.

The war period (1914-19) witnessed a temporary revival of agricultural prosperity. The necessity of producing as much food as possible in Great Britain led to the restoration to arable of much land which had been under grass. Home-grown wheat fetched very high prices, at times exceeding 100s. per quarter. A considerable degree of State control was exercised over the activities of farmers, who were compelled to aim at a certain standard of efficiency and to accept official direction as to the acreage of land to be retained under pasture and the area to be devoted to the growing of wheat. A Corn Production Act, passed in 1917, guaranteed a minimum price and a fixed rent, and a minimum wage to the labourer. Agricultural wages were to be fixed in each district by local committees set up by a central Agricultural

Wages Board. These measures were repealed in 1921, but by the Agricultural Wages (Regulation) Act of 1924 the machinery for the fixing of wages was restored. It was contended by farmers that compulsion to pay a minimum wage ought to have been accompanied by the restoration of a guaranteed price for corn. They complained that when the price of corn fell they were unable to make ends meet.

This was not the only reason for the depression which attacked agriculture after the war. It was again subject to the full force of foreign competition, and the acreage under cultivation diminished. Yet by the use of up-to-date methods of farming and farm management—co-operative buying and selling, the more extensive use of machinery in place of hand labour, and the production of crops which were most in demand—farmers continued to make a living. In some directions, notably in stock-breeding, they continued to meet with success; British pedigree cattle still commanded high prices in distant countries.

The worst years for the farmer were the thirties of the twentieth century. Between 1930 and 1938 harvests were good, but the market price of wheat was usually between twenty shillings and twenty-five shillings per quarter. Much land was put under grass, and as the public demand for milk increased dairy farming was more profitable than arable. It was in any case difficult to keep land under cultivation, as the movement of young labourers into the towns continued.

With the outbreak of war in 1939 Great Britain, as in 1914, was forced to grow as much food as possible on her own land. Grassland was ploughed up again; the acreage under cultivation was nearly doubled, and the price of wheat rose until it was over seventy shillings per quarter. Good harvests were obtained in the war years, those of 1942 and 1943 being described as the best on record. Towards the end of the war more than twice as much wheat and potatoes was being produced in Great Britain as in 1938, and large quantities of sugar-beet also were grown.

Farmers were no longer allowed to farm as they pleased. County War Agricultural Committees were set up in every administrative county; they were empowered to direct farmers as to the crops to be grown and the rotation to be observed, and farmers who disregarded the orders of the Committee, or whose work was not satisfactory, might be removed and their farms placed in other hands. The Committees might order the ploughing of grass- and waste-lands, and they made full use of their powers; parks and golf-courses were frequently converted into

arable. The supply of machinery and fertilisers to the farmers was organised and controlled through the Committees. An Agricultural Research Council was established early in the war, and in 1941 an Agricultural Improvement Council was set up to facilitate the application of the results of agricultural research to farming practice.

Labour presented the greatest difficulty during the war years. There had been too few labourers before the war, and now some of the men joined the armed forces, though most were reserved. Work on the land was done by members of the Women's Land Army, by prisoners of war, and by volunteer workers who helped at time of harvest. The standard wages of agricultural workers were raised; it seems certain that further improvement in wages and conditions of work must be made if agriculture is to attract an adequate body of workers in the future.

After the war it was felt by all political parties that the mistake of a quarter of a century earlier ought to be avoided and that agriculture should not be allowed to sink again into a depressed condition. Towards the end of 1946 a memorandum on the subject was issued by the Government; it reviewed the condition of agriculture and outlined the Government's policy. It was estimated that an acreage of forty-eight millions out of a total area of sixty million acres in the United Kingdom was devoted to agriculture; the industry gave direct employment to a million and a quarter workers, and many others were engaged in occupations that were ancillary to it; the value of agricultural produce had doubled since the outbreak of the recent war, having increased from £290,000,000 to £580,000,000 per annum. The Government wanted as much as possible of the nation's food to be produced within the country, and it aimed at maintaining a stable and efficient agricultural industry. The Agriculture Act of 1947 was designed to this end.

It was hoped to establish greater stability than had prevailed in the past by controlling and guaranteeing prices. These were to be fixed for definite periods by the Minister of Agriculture or the Minister of Food; alterations were to be made only after a review of the industry and only if the Minister was satisfied that the alteration would be in the public interest; and they were to become effective only after a period of notice, which in some cases might be as much as two years.

It was held that, in the national interest, inefficient farming could no longer be permitted. As stated above, during the war farmers had been compelled to accept the directions of County

War Agricultural Committees, and, though post-war control might be less rigid and complete, a National Agricultural Advisory Service was established and County Agricultural Committees representative of landowners, farmers, and labourers were set up to carry on the work of the County War Committees and to give advice to farmers. It was hoped that the general standard of farming would be raised in this way, but it was recognised that there might be a minority of farmers who would not be co-operative, and who would insist upon managing their farms in their own way. Accordingly, the Act provided that the management of land must be reasonably adequate and efficient. Any owner or occupier of a farm whose work was not up to the required standard of efficiency might be placed under supervision, and, unless sufficient improvement was shown within a year, might be dispossessed. Directions might also be issued to farmers who were not inefficient and were not under formal supervision, but whose work was susceptible of improvement.

The right of a landowner to eject a tenant farmer was limited by the Act. The farmer was given the right of appeal to the Minister against a notice to leave; the notice would not become effective without the Minister's consent, and it was laid down that in coming to a decision the Minister was to consider whether the change was likely to result in more efficient farming. In certain cases, however, the Minister's consent would not be necessary to an eviction; if a farm was certified as being badly managed, or if the farmer was bankrupt or dead, eviction might be carried out. (This last alternative meant that the landlord was not bound to accept the son of a deceased farmer as tenant in his father's place.)

A further section of the Act dealt with small holdings. It was pointed out in the memorandum that before 1914 small holdings had been provided to "satisfy land-hunger" and to encourage the re-establishment of peasant proprietorship; after 1919 further provision of small holdings had been made in the interests of ex-service men; and that, still later, small holdings had been regarded as contributing to the solution of the problem of unemployment. Throughout the history of the movement the underlying motive of their establishment had been social rather than agricultural, and it was now recognised (as was pointed out earlier in this chapter) that no great measure of success had attended it, since men without previous agricultural experience or training could not be expected to succeed as small-holders. The Government announced a fundamental change in its approach to the question of small holdings; in future their provision should be determined by

agricultural rather than social considerations. Small holdings would be provided as a ladder by which experienced agricultural workers could "rise from the ranks" and become farmers on their own account, while untrained men, who wished for a career on the land, would be expected, in their own interest and in the interest of agriculture, to gain experience as agricultural workers before taking over the direction of a holding. The Act provided, therefore, that county councils and county borough councils should provide small holdings at fair rents to agricultural workers, to the sons of farmers, and to others with agricultural experience, but not to ex-servicemen as such, and it laid down various regulations, and provided for an appreciable amount of ministerial control and supervision of the activities of local authorities in this matter.

Much of the beef and mutton produced in Great Britain comes from the high lands of Scotland, Wales, and northern England. These uplands provide abundant pasture (much of it rough) for cattle and sheep in summer; the cattle are brought down to lower ground in the autumn and are herded in sheltered positions or put under cover during the worst of the winter. (Milking is unnecessary, since these hill cows yield no more milk than is needed to feed their calves.) Sheep remain in the open all the year round, and one of the problems of hill farming is the provision of sufficient pasture for them, so that the ewes may be in good condition to yield enough milk for their lambs in the spring.

Hill farming was in a fairly satisfactory condition in the nineteenth century, but since the beginning of the twentieth century it has steadily deteriorated. The fertility of the pastures has declined; there have been too few skilled shepherds; and there have been serious losses of breeding ewes in severe winters. The importance of arresting the decline of hill farming was recognised during the war of 1939-45, and a State subsidy in respect of each hill ewe enabled the industry to carry on, though this did nothing to restore it to a condition of prosperity. This temporary expedient was all that could then be arranged, but after the war it was felt that a long-term policy for hill farming was called for.

The Hill Farming Act, 1946, provided that the Government would make a grant of fifty per cent of the cost of approved schemes of rehabilitation. Such schemes might include the provision of suitable farm buildings, cottages for shepherds, fences, winter shelter, roads, and drainage, besides the cutting of bracken and the planting of shelter-belts. Apart from these features of the schemes, which might or might not be essential, it was vital that hill farmers should aim at improvement in the quality of the

pasture, either by the application to it of suitable fertilisers or by the ploughing up and re-seeding of inferior pasture.

The full results of the policy indicated in the Act cannot be seen for some years. It is expected, however, that a given stretch of pasture will support far more cattle and sheep than hitherto, perhaps five or six times as many, while lambs and calves will be healthier. The ultimate result of a thorough rehabilitation of hill farming should be a marked increase in the supply of home-produced beef, mutton, and lamb.

It is not surprising that the ups and downs of agriculture in the past hundred years have led men to question the whole system of ownership of land. It is sometimes contended that the present system of land ownership is inimical to agricultural prosperity, and that some of the landlords of to-day, unlike those of a century ago, are mere rent-receivers¹ who have little knowledge of and take small interest in the condition of agriculture. This is certainly not true of all landlords, and, though the Labour party has in the past advocated the nationalisation of land,² this policy has not been put forward in the Agriculture Act just described. But, though the ownership of land remains in private hands, the owner (or his tenant) is no longer to be allowed to use, or misuse, his land as he thinks fit. Private right is subordinated to public interest; in the use of land the owner (or tenant) is subject to a measure of State control, and it is inconceivable that the degree of control will diminish with the passage of the years.

¹ It is recognised that the country squire of the nineteenth century was far more than a rent-receiver. He was usually a skilled agriculturist and was thoroughly versed in estate management. He devoted an appreciable part of his income to estate improvements, and he maintained a personal relationship with his tenants which contributed definitely to the success of agriculture.

² The pros and cons of land nationalisation cannot be discussed here. Briefly, it may be stated that the opponents of this policy predict the final ruin of agriculture if it is subject to bureaucratic direction; its advocates point to the large measure of success achieved under conditions of State control during the two wars.

CHAPTER XXIV

NATIONAL FINANCE SINCE THE REVOLUTION OF 1688-9

IN the political history of England the importance of the Revolution of 1688-9 lies in the establishment at this time of the unquestioned supremacy of Parliament. From the constitutional struggle which was the outstanding feature of the Stuart period Parliament had emerged victorious over the Crown; law henceforth was triumphant over prerogative. Important results followed from this in the sphere of national finance.

The apparent niggardliness of Parliament in making special grants in earlier times was not always due to lack of appreciation of national needs. Disagreement with royal policy, or the desire to secure the dismissal of an unpopular minister, led the House of Commons to take advantage of the King's necessities as a means of securing its ends. After 1689 it was unnecessary to treat finance as a means to an end, and, as the principle of the responsibility of ministers to Parliament became firmly established, the assent of the House of Commons was readily obtained to such financial measures as were required for the safety and well-being of the State.

After the Revolution it was decided to break with the practice, which had prevailed hitherto, of regarding the royal income as the fund out of which the whole of the expenses of government were to be met. Henceforth, the King's income and the expenses of the Court were separated from the general expenditure upon the work of administration. To the Crown was assigned a fixed annual sum, which was to be known as the Civil List and was voted to the King, at the beginning of his reign, for life. Administrative expenses, known as Supply services, were voted by Parliament from time to time as required, and the grants for such purposes soon became annual.¹ The principle of appropriation of supplies was established during the reign; it became illegal to use money for any purpose other than that for which it had been granted. An audit of public accounts was attempted; William III agreed to lay national accounts before Parliament if they were called for, in order that it might be satisfied that the money it had voted had been properly spent. Nevertheless, no satisfactory or

¹ With the important constitutional result that Parliament necessarily met every year.

regular audit was established until towards the end of the eighteenth century.

During the reign of William III the total of public expenditure steadily increased on account of the war with France. The income of the State was derived mainly from customs and excise duties, which had become very burdensome, and in 1692 Montagu established a form of direct taxation—the land-tax. This was a levy of four shillings in the pound on the annual value of land, producing, at this rate, about £2,000,000 per annum.

More money was required, however, than could be raised by taxation, and recourse was had to borrowing. In earlier times kings had frequently borrowed money, and they had not always been punctual in meeting their liabilities. Royal security, in fact, was not good security, and lenders usually demanded of the Crown a substantial rate of interest. As has already been mentioned, the goldsmiths of London, who built up a banking business in the seventeenth century, advanced large sums to Charles II, who suspended payments to his creditors out of the Exchequer in 1672. The interest which was then due was added to the principal, and the money was still owing at the Revolution.

Post-revolutionary borrowings differed from those of earlier times in that they were authorised by Parliament, which guaranteed the payment of interest on all loans. In the years immediately following the Revolution money was borrowed on the security of certain duties, the proceeds from which were earmarked for the repayment of interest and principal. But in 1693 the sum of £1,200,000 was borrowed from a number of financiers to whom was granted a charter which authorised them to form a bank to be known as the Bank of England. Interest on the loan was promised at eight per cent, but no guarantee was given with regard to the repayment of the principal. This, therefore, was the beginning of the funded debt.¹ Further loans of this kind followed in rapid succession, and by 1697, when the war with France came to an end, the National Debt stood at £21,000,000. By the end of the reign it had been reduced to about £16,000,000, but the War of the Spanish Succession, which lasted through practically the whole of Queen Anne's reign, caused its expansion to £54,000,000.

The existence of a debt of this magnitude was a matter of grave

¹ Unfunded debt consisted of temporary advances which, it was expected, would be repaid within a limited time. In recent years a good deal of the unfunded debt has consisted of Treasury bills issued in anticipation of the receipts from taxation. It happens that the outgoings of the Government are fairly uniform throughout the financial year, while much of the income is received towards its close.

concern to the Whig statesmen of the reign of George I; they felt that the country could not be truly prosperous until the money was repaid. The debt consisted of loans raised at various times, from numerous persons, and at rates of interest varying from five to eight per cent. Though the Government was under no obligation to redeem the principal of the debt, the payment of interest was a heavy drain on the nation's resources. The South Sea Company, which was formed in 1711, and to which the trading concessions gained by Great Britain in the Treaty of Utrecht had been assigned, wished to enlarge its sphere of operations. It proposed to the Government that it should be granted a monopoly of the whole of the foreign trade of this country, and in return it offered to become the sole creditor of the State and to be content with a uniform rate of interest of five per cent, and, after 1727, of four per cent. It suggested that the existing creditors of the Government should be offered shares in the South Sea Company to the value of their Government stock and that those who refused the offer should be paid off, the Company offering the Government £7,500,000 for this purpose. The proposal was, in fact, to effect what to-day would be called a conversion loan. The immediate advantage to the State would be the diminution in the annual interest charge; it was estimated that about a million a year would be saved in this way. The Government creditors would benefit by sharing in the large dividends which the Company expected to pay. The Company would gain large profits from its additional trading privileges.

So far there was nothing inherently unsound about the transaction, although the profits anticipated by the Company were not likely to be realised. But much excitement was aroused among the people by the prospect of making fortunes, and the shares of the South Sea Company rose in value in the open market until they were quoted at over £1,000 for a £100 share. Unscrupulous financiers took advantage of the public excitement to form other companies which were definitely fraudulent. The establishment of such companies, without charters from the Government, was, as the law then stood, illegal, and the South Sea Company prosecuted some of them. This ended the bubble. The shares of these companies were seen to be worthless, and their promoters absconded, leaving their victims ruined. But in the general crash the South Sea Company itself suffered. Within a short time its shares fell in price from over £1,000 to £175, and many people were ruined. Public confidence was severely shaken and took some time to recover; this was probably the worst effect of the

incident. The Government reassumed control of and responsibility for the National Debt, and the South Sea Company was limited to its former sphere of activity.

Sir Robert Walpole established a sinking fund of one million pounds per annum towards the repayment of the National Debt. If he had continued this throughout his period of office he would have halved the debt, at least. But repayment of debt is dull and unpopular; and Walpole, being eager to reduce the level of national expenditure, raided the sinking fund again and again. Yet he reduced the debt by some four or five millions of pounds during his twenty years of office, the total liability at the time of his retirement standing at about £47,000,000.

Walpole's greatness was seen most clearly in the domain of finance and trade. He realised that the prosperity of the country would be most surely advanced by the development of its commerce, which was hindered by the existence of duties on hundreds of articles of import and export. While it would be an anachronism to describe him as a Free Trader (he held office half a century before the publication of *The Wealth of Nations*), it is nevertheless probable that he was such at heart. He was not the man to undertake the task of abolishing all duties and establishing a Free Trade system at a time when the commercial community still considered the maintenance of the existing system to be vital to national well-being. If he thought about Free Trade at all he probably considered it to be an unattainable ideal, towards which some slight advance from time to time was as much as could be expected. He removed the duties from a number of articles, and reduced those levied on many others. He realised that a reduction in the rate of duty might in some cases lead to so great an increase in the consumption of a commodity that more money might be received from the lower than from the higher rate. In any case the lower rate would lead to increased trade, extended prosperity, and, in the long run, larger revenue.

In 1724 he established bonded warehouses for tea and coffee. This was of considerable advantage to the importers of these commodities. Hitherto the duty on tea and coffee had to be paid when the goods reached this country, although some months might elapse before they were sold and the amount of the duty was recovered from the purchasers. Hence the importers had much of their capital locked up in this way. Under the new system cargoes upon arrival were unloaded into bond; they remained there until they were required for retail trade, and they might be removed from bond in small quantities from time to time as

needed, the duty being paid only on the amounts so taken out. So successful was the plan that in 1733 Walpole proposed to extend it to tobacco and wine. Unfortunately, the Bill which embodied this suggestion was called the Excise Bill; the excise, as such, was unpopular, and misunderstanding and misrepresentation of the objects of the Bill followed. So much opposition was aroused that the Bill was dropped.

By his economies in public expenditure and his reforms in indirect taxation Walpole was able to lower the rate of the land-tax from four shillings to one shilling in the pound, by three successive reductions of a shilling. His failure to carry the Excise Bill into law prevented him from removing the remaining shilling and so abolishing the tax.

The war period in the middle of the eighteenth century resulted in the further expansion of the debt. After the Peace of Aachen, in 1748, it stood at £78,000,000, but so great was the prosperity of the country that in 1749 Henry Pelham was able to bring about a conversion by which the various loans were consolidated into one bearing interest at no more than three and a half per cent, which was soon reduced to three per cent. At the beginning of the Seven Years War, in 1756, the amount of the debt was £72,000,000; at its close it had reached £160,000,000. Twenty years later, at the end of the War of American Independence, it stood at the colossal figure of £250,000,000.

When the younger Pitt became Prime Minister, in 1783, the task before him was that of restoring national prosperity and national prestige after the disasters of the American War. National credit was low; the price of Government stock was no more than fifty-seven. Taxation was burdensome, and smuggling was prevalent round the coasts. Year by year, before Pitt's advent to office, the budget failed to balance. The position could be remedied only by a statesman who was prepared to revise the whole basis of national finance. Pitt, who was a disciple of Adam Smith, proved adequate to the task. He was inclined to distrust the whole theory of Mercantilism, and though the nation was not yet ready for its abandonment he made very substantial reductions in indirect taxation. For example, the duty on tea was reduced from one hundred and nineteen per cent to twelve and a half per cent *ad valorem*. The immediate effect was, naturally, a loss of revenue, and, though Pitt expected that the increased prosperity of the country on account of expansion of trade would ultimately be reflected in a larger revenue, he was compelled to meet the deficit in his early budgets by raising loans. He introduced a new

practice in this connection. Before his time loans, when required, were raised by private negotiations with the friends of ministers, and substantial profits were made at the public expense by those concerned in carrying the business through. Pitt, who despised anything that savoured in the least of corruption, put loans out to public tender.

To increase the revenue he devised direct taxes on servants, racehorses, carriages, hats, paper, gold and silver plate, windows, and other things. Since cottages were exempt from the window-tax it is evident that the assessed taxes fell almost entirely on well-to-do people. The collection of customs duties was facilitated by a simplification of the classification of goods and by an extension of the system of bonded warehouses. The receipts from the duties were no longer, as heretofore, entered under separate accounts against which various items of expenditure were charged. After 1787 the whole of the national revenue, including the receipts from the customs, was paid into one account known as the Consolidated Fund. The framing of an annual balance sheet of income and expenditure thus became possible. In 1785 a body of five commissioners was established to audit public accounts.¹

Pitt attacked the burden of the National Debt. The sinking fund established by Walpole still existed, but for many years its original purpose had been obscured. Payments of various kinds had been charged upon it, and very little money had been available from it for the repayment of debt. Pitt established a new sinking fund. The sum of one million pounds was to be set aside annually to be used by commissioners for the purchase of Government stock. This stock was not to be cancelled but was to continue to bear interest which would be paid to the commissioners. This money, in addition to the annual million, was to be used in like manner. In course of time the whole of the stock would be in the hands of the commissioners; it would then be cancelled. The scheme was to be commended, as indicating a determination to pay off the debt, but it would be financially sound only if the money was raised by taxation and without having recourse to fresh borrowing. If loans had to be resorted to, either in peace or war, the debt would be increased as fast as the fund. The general effect of Pitt's financial reforms during the first ten years of his ministry may be gathered from the fact that in 1792 Government three per cent stock was quoted at ninety-seven.

During the French Revolutionary War money was needed on a scale hitherto undreamt of. Yet in the early years of the war there

¹ In 1866 they were replaced by the Comptroller and Auditor General.

was little increase in taxation, and the sinking fund was allowed to continue. At that time Pitt did not realise that the war was likely to be prolonged, and he was unwilling to diminish the growing prosperity of the country by imposing crushing taxation. And, although the sinking fund was, strictly speaking, financially defensible only in time of peace, when national income exceeded expenditure and no loans were being raised, Pitt thought it unnecessary to interrupt it for what he expected to be a short war. He increased the assessed taxes in 1797, and in the following year an income-tax was levied, on a carefully graduated scale. The tax was payable on incomes of sixty pounds per annum or over, and, though on the lowest incomes the impost was no more than twopence in the pound, it was as high as two shillings in the pound on those of over two hundred pounds per annum. It was regarded definitely as a war tax, which, it was understood, would be removed upon the return of peace. It has often been asserted that Pitt was at fault in not imposing this tax earlier. Had he done so he need not have borrowed so freely. But his critics forget that in the early stages of the war the nation shared his view that the conflict would be short, and probably would not have consented to the imposition of heavy taxation.

The feature of Pitt's financial policy which was most open to criticism was his method of borrowing money. As loan after loan was raised the Government had to pay a higher rate of interest on the money received. Yet Pitt issued loans at three per cent again and again, and was forced to allow a heavy discount. Between 1793 and 1802 the average price obtained for £100 stock was £57; the average price during the Napoleonic War was £60. If he had issued loans at par, bearing interest at five or six per cent, the dead weight of the debt would have been much less at the end of the war; the annual interest charge would have been no greater, and it might have been reduced in the ensuing years of peace by means of conversion loans.¹

Pitt's apologists have contended that he was fully aware of the

¹ The point may be made clear by considering actual figures. If Pitt wanted to borrow, say, £30,000, he issued £50,000 stock bearing interest at three per cent. This would sell at, say, 60, and the amount of money received would be £30,000. The annual interest-charge in respect of the transaction would be £1,500, and the nation's liabilities would increase by £50,000.

He might have issued £30,000 stock bearing interest at five per cent. The selling price would have been 100, or nearly so. The amount received would have been £30,000 and the annual interest-charge £1,500, as before. But the National Debt would have increased by only £30,000, and in years to come conversion of a five per cent stock would have been possible much more quickly than of a three per cent stock.

effect of his loan policy upon the finances of the nation, but that he had no choice. Pitt was a borrower, and as such had to conform to conditions acceptable to those who were able to lend. The moneyed men in the City of London, it is said, were unwilling to lend at par, even at five or six per cent interest; they preferred to lend at sixty, receiving three per cent on their stock, and Pitt had no option in the matter. But this argument is an admission that financial interests are able to control a Government, and, if it be true, it reflects little credit upon Pitt. Pitt was not only a borrower; he was a Prime Minister, and a plain intimation to the financiers that the money must be found, either by means of loans on terms acceptable to the Government or by direct taxation on a really drastic scale, would have brought them to reason.

At the close of the French Revolutionary War the debt amounted to about £530,000,000. The Napoleonic War followed after an interval of only thirteen months. The same heavy scale of military and naval expenditure was necessitated, the same policy of subsidising allies was followed, the same principles were maintained in raising loans, and the same scheme of taxation was carried out, as in the French Revolutionary War. In 1815 the funded debt of Great Britain was £831,000,000 and the unfunded debt amounted to £47,000,000.

One of the first measures taken upon the return of peace was the abolition, in 1816, of the income-tax. Though its removal was in accordance with the undertaking given when it was first levied, it would have been advisable to continue war taxation until the debt had been reduced to pre-war level. But the contrary view prevailed, and even a proposal to reduce the income-tax to half its former rate was defeated, and it was removed altogether. Yet national income had to be raised in some way, and with the abolition of the chief direct source of revenue it had to come from indirect taxation. Duties of crushing severity were levied upon many hundreds of articles, and the weight of these imposts was felt by the very poor and added to the hardships of their lives. The annual national budget before the French Revolutionary War amounted to about £18,000,000; in 1815, the last year of the war, it exceeded £100,000,000. In 1816 it fell to £66,000,000, of which £31,000,000 represented interest on the debt.

The Free Trade movement was revived when Huskisson became President of the Board of Trade in 1823. He abolished bounties on exports, and he reduced a number of exorbitant and prohibitive duties, but no substantial changes in the system of national finance were attempted before Peel's second ministry, 1841-6.

The sinking fund established by Pitt was abandoned in 1829, and it was arranged that budget surpluses, year by year, should be earmarked for debt redemption. But during the Whig period, 1830-41, a deficit was incurred in most years, and the total of the debt was increased by about £8,000,000.

Peel, when he became Prime Minister in 1841, determined to recast the whole system of national finance. In 1842 he removed the duties from a large number of articles of raw material and he reduced the duties on 750 out of 1,200 articles which were classed as goods wholly or partly manufactured. He also abolished many duties on exports. Such a course necessarily involved heavy sacrifices of revenue, which Peel was confident would ultimately be made good by increased trade. For a year or two, however, a deficit was certain, and Peel proposed to tide over this period of transition by establishing for three years an income-tax of sevenpence in the pound on all incomes of more than £150 per annum. It was to be a temporary impost, and its removal was expected when the full benefits of the change of system were experienced. There was a heavy deficit in 1843, as the accounts for this year included income-tax for only six months, but in the following year there was a surplus of £2,000,000. In 1845 the time arrived for the removal of the income-tax, but Peel's experiment had justified itself so completely that he decided to extend it by removing a further batch of duties and continuing the tax for a few years longer. The duties on 400 articles of raw material were abolished, as were the remaining export duties.

In 1844 a conversion operation was undertaken. A small part (about £250,000,000) of the National Debt bore interest at three and a half per cent; this rate was reduced to three and a quarter per cent, and, after ten years, to three per cent.

Russell, who succeeded Peel as Prime Minister in 1846, attacked the sugar duties. The rate levied on British colonial sugar had been fourteen shillings per hundredweight, while on sugar from other sources the duty had been prohibitive. Russell reduced the rate on foreign sugar to twenty-one shillings per hundredweight, and, after five years, to fourteen shillings, thus abolishing the preference to the colonies.

Important changes were introduced in 1853 by Gladstone, who was Chancellor of the Exchequer in the ministry of Lord Aberdeen. The duties on 123 articles were removed altogether, and those on a further 133 articles were reduced. To compensate for the loss of revenue Gladstone looked to the legacy duties, which had hitherto been of little importance; their scope was extended to include both

real and personal property, passing at death either by will or by settlement. Gladstone had no liking for the income-tax, and would have preferred a levy upon land; he regarded the former as a tax upon capacity and industry. He devised a scheme by which the tax would remain at sevenpence in the pound for two years, at sixpence for the next two years, and at fivepence for a further three years. In 1860, at the expiration of seven years, the tax was to be discontinued. Unfortunately, the occurrence of the Crimean War, the Indian Mutiny, the China and Persia Wars, and the threat of war with France in 1859 made the execution of this programme impossible.

Upon the outbreak of the Crimean War in 1854 Gladstone hoped to meet its cost out of revenue and without having recourse to borrowing. He doubled the income-tax for the year, and placed additional duties on spirits and sugar. His successor at the Exchequer, Sir George Lewis, in 1855 increased the duties on sugar, tea, coffee, and spirits, and added a further twopence to the income-tax, which now stood at one shilling and fourpence in the pound. In spite of these measures it was found necessary to raise loans to the total of £42,000,000 to meet the expenditure incurred in the war. After the restoration of peace, however, the income-tax was reduced, and in 1858 it stood at only fivepence in the pound—the figure which had been fixed for that year by Gladstone in 1853. But in 1859 fear of war with France led to a strengthening of the defence forces of the country, and the expenses incurred were met by an increase of fourpence in the pound on the income-tax.

Gladstone, again Chancellor of the Exchequer (this time in the second Palmerston ministry), introduced another important budget in 1860. A further penny on the income-tax brought it up to tenpence. The duties on 360 articles classed as manufactured goods were removed, and customs were retained on only forty-eight articles, these duties not being of a protective character. The establishment of Free Trade was thus practically complete. A Bill to repeal the duty on paper, after having been passed by the House of Commons, was rejected by the House of Lords. On the constitutional question thus raised the Commons registered a protest, but took no further action at the time.

This action of the Lords was the immediate cause of an important change in financial procedure in 1861. It had been the custom for the Government to deal with various financial matters in separate Bills. In 1861 Gladstone incorporated the whole of the financial proposals for the year (including the repeal of the

paper duty) in a single Finance Bill, which the Lords did not venture to reject, and the precedent thus established became the normal practice for the future.

In the next few years Gladstone continued his policy of reducing the income-tax. He lowered it to ninepence in 1861, to sixpence in 1864, and to fourpence in 1865. A slight rise occurred in the next year or two, but in 1869, when Gladstone was Prime Minister, the tax was reduced to fivepence, and in 1870 to fourpence. A deficit in 1871 was met by the addition to the tax of twopence, which was removed in the following year, and in 1873 the removal of a penny, with another in 1874, reduced the tax to twopence, the lowest point it has touched since its establishment.

During these years no serious effort was made to reduce the total of the National Debt, but in 1875, in the ministry of Disraeli, a sinking fund of £28,000,000 a year was established. Out of this amount the interest on the debt was to be paid, and the balance was to be devoted to the reduction of capital liability. In each year the amount of interest would be a little less, and the amount of redemption a little more, than in the preceding year. Public expenditure increased during the Disraeli ministry; it became necessary to raise the income-tax to threepence in 1876 and to fivepence in 1878, and in 1880 it was possible to balance the budget only by raiding the sinking fund.

It is unnecessary to trace the details of changes in the income and other taxes in later years. The financial condition of the country was so sound that in 1888 George Goschen, Chancellor of the Exchequer, was able to bring about a gigantic conversion of the debt, by which the interest was reduced from three per cent to two and three-quarters per cent, and, after fifteen years, to two and a half per cent. The South African War, 1899-1902, added about £160,000,000 to the debt, but in the early years of the twentieth century the sinking fund was increased to £29,500,000 per annum. Surpluses realised at the end of each financial year were also to be devoted to debt reduction, and by the outbreak of war in 1914 the debt had been reduced to £650,000,000.

The income-tax continued to be regarded as a temporary tax, and year by year Chancellors of the Exchequer were expected to express, in their budget speeches, regret that the exigencies of national finance did not permit of its abandonment. The pretence was dropped by Mr. Asquith in 1907, and the tax was henceforth definitely recognised as a permanent feature of national finance. In the same year a distinction was introduced between earned and unearned income, some remission being granted on the former.

Sir William Harcourt, Chancellor of the Exchequer under Gladstone, had established in 1894 a scale of death duties¹ by which the estates of deceased persons were subjected to substantial taxation, and this scale was extended by Mr. Asquith in 1907. In after years this proved to be a most fruitful source of national revenue, and it received the approval of many people on other than financial grounds in that it tended to the diminution of the inequalities of wealth which existed in the nation.

By 1909 the growth of expenditure for national defence and for social reform necessitated the seeking of new sources of income. Mr. Asquith was by this time Prime Minister, and his Chancellor of the Exchequer, Mr. David Lloyd George, established a super-tax on incomes of over £5,000 per annum. Death duties were increased, and the working classes were called upon to contribute their share by a slight increase in the duties on tobacco and spirits. The budget of 1909 also proposed a levy of twenty per cent on the unearned increment of land values, and a duty of a halfpenny in the pound on the capital value of undeveloped agricultural land.²

The European War of 1914-18 made demands upon the finances of Great Britain which were incomparably greater than anything called for in previous wars. Taxation, especially the income-tax, rose to levels hitherto undreamt of. Towards the close of the war the income-tax reached six shillings in the pound, though the possessors of moderate incomes were relieved by an extension of the system of abatements and reliefs. It was accompanied by a super-tax of a further six shillings in the pound on very large incomes.³ Much money was raised by a levy of eighty per cent on business profits which were in excess of a certain percentage on the invested capital. Expenditure on the war, including loans to allies, could be maintained only by borrowing on a very large scale, and at the close of the war the National Debt exceeded £8,000,000,000.⁴

The debt question after the war of 1914-18 was complicated by the fact that the allies of Great Britain owed her sums which

¹ The death duties are now known as Estate Duty. This amounts to as much as seventy-five per cent on estates of over £2,000,000.

² The rejection of this budget by the House of Lords led to a serious constitutional crisis and to the limitation of the powers of the House of Lords by the Parliament Act, 1911. The budget of 1909 became law early in 1910.

³ In 1929 the super-tax was renamed surtax. From 1941 to 1946 it was levied at nine shillings and sixpence, and in 1946-7 at ten shillings and sixpence, on very large incomes.

⁴ The old distinction between funded and unfunded debt ceased to be important. Most of the war loans rank as unfunded debt.

totalled between £2,000,000,000 and £3,000,000,000, while she was indebted to the United States for over £800,000,000. Great Britain proposed a general cancellation of inter-governmental war debts, but this policy did not commend itself to the United States. Great Britain thereupon announced her intention of asking her allies to pay, in instalments, no more than she was required to pay to the United States. The Labour party proposed that a capital levy should be made for the purpose of reducing substantially the total of the internal debt, but this policy did not receive the approval of the electorate. In 1932 Mr. Neville Chamberlain, Chancellor of the Exchequer in the third MacDonald ministry, succeeded in converting over £2,000,000,000 of the debt from five per cent to three and a half per cent.

Very great additions were made to the National Debt during the war of 1939-45. By 1946 it amounted to nearly £24,000,000,000, but most of the money had been borrowed at low rates of interest, and though the debt was trebled in amount the annual interest upon it was little more than doubled.

The total of national expenditure remains large,¹ and it seems improbable that during the next few years it will be substantially reduced. The service of the debt, in the payment of interest, and in provision for redemption, absorbs a large sum every year; the requirements of national defence entail heavy expenditure; and the social services call year by year for increasing grants from the national exchequer.

¹ The rates at which income-tax has been levied in recent years are as follows:

1918-22 6s.	1931-4 5s.	1939-40 7s.
1922-3 5s.	1934-6 4s. 6d.	1940-1 8s. 6d.
1923-5 4s. 6d.	1936-7 4s. 9d.	1941-6 10s.
1925-30 4s.	1937-8 5s.	1946-9 9s.
1930-1 4s. 6d.	1938-9 5s. 6d.	

CHAPTER XXV

TRADE UNIONISM

TRADE unions, which are so prominent in the industrial world at the present day, are associations of workpeople formed with the purpose of improving the conditions under which work is carried on. While the Statute of Artificers was enforced there was little need for collective action on the part of workmen, but with the decay of the system established under this law conditions of labour changed for the worse. Before the Industrial Revolution much industry was carried on in the homes of the workers, and as they toiled separately, and rarely or never met, no opportunity was offered for the formation of any kind of union.

With the coming of the factory system this state of affairs passed away. The prevalence of the principles of *laissez-faire* led to the disregard of the Statute of Artificers, so that industrial conditions in the early factory towns were entirely unregulated. In the factories were large bodies of workpeople who, by their daily association with one another, had the opportunity of combining to place their views before their employers. During the eighteenth century, and especially towards its end, many small societies of the nature of trade unions came into existence, though they were not so completely organised as the unions of the nineteenth century.

The earliest unions tried to obtain improvement in working conditions by securing observance of the Statute of Artificers and the extension of its application to industries which had arisen since 1563 and which, therefore, did not come within its scope. Throughout the seventeenth and eighteenth centuries many acts were passed dealing with new industries, and as late as 1765 and 1773 Justices of the Peace were directed to formulate wage-schedules for silk weavers.

The cotton factories which came into existence in the last quarter of the eighteenth century contained numbers of children taken from workhouses, who, under the Poor Law of 1601, were bound as apprentices to the factory owners. But, although the law of 1601 was obeyed, that of 1563 was disregarded, in that the ratio between the numbers of skilled workmen and apprentices was not maintained. The workmen, through their associations, called attention to this breach of the law, in order that their chances of employment might be increased. The petitions to Parliament

for the observance of the provisions of the Statute of Artificers led, not to its enforcement, but, in 1813 and 1814, to its repeal.

Towards the close of the eighteenth century the governing classes in Great Britain were much alarmed at the possibility of the common people imitating the French, and they took measures to repress any movement which might be regarded as revolutionary in tendency. In 1799 and 1800 Combination Laws were passed by which associations in restraint of trade were made illegal. These laws applied to associations of masters as well as to those of men, but in practice they were not enforced against the masters.

The extent to which the Combination Laws were enforced against the men is a question which is not easy to settle. Under the common law of this country, and under a statute passed in 1549, combination in restraint of trade was already illegal. When, as was frequently done, action was taken against workmen for participation in illegal combinations, prosecutions were frequently based on the common law, under which heavier sentences could be imposed than under the Combination Laws. Not every case of concerted action by workmen could be regarded as an illegal combination. Occasionally conferences of masters and men were convened to settle labour conditions, and when such meetings were held it was considered that no charge of conspiracy could be brought.

From 1799 to 1824 organised trade unionism was illegal. Workmen who associated with their fellows in demanding higher wages or shorter hours were liable to be sent to prison. While, as pointed out above, the primary reason for the suppression of trade unionism was political, it may be remarked that current economic doctrine influenced the attitude of the Government. Not merely were unions feared as being revolutionary; it was contended that their operations were unfair to the great body of the working classes. It was supposed that wages were paid out of a fixed Wage Fund, which could not be increased, and that if one group of men by concerted action secured an advance others must necessarily receive less.

Yet trade unionism did not entirely cease to exist during this period. Friendly societies existed, and an act passed in 1793 conferred a definite legal status upon them. These organisations received from their members contributions to a fund out of which payments were made to them in times of sickness or unemployment, and they were entitled to use their funds in various ways to assist distressed members. Friendly societies, therefore, served some of the purposes which were afterwards fulfilled by trade

unions. Moreover, during the period of prohibition some unions were formed in defiance of the law, and members met secretly in private houses or in the back rooms of beer-houses. Doors and passages were guarded against spies and informers who might try to gain admission to the meetings.

During this period there was little agitation among the working classes for the repeal of the Combination Laws. Workmen were so ill-educated and so unintelligent that they did not realise the advantages which might be gained from combination, so badly paid that they would have been unable to subscribe to the funds of a union, so ignorant that they did not know that the conditions which pressed hardly upon them affected men in other towns and other industries. But here and there men of greater intelligence and capacity than their fellows attempted to educate and stimulate public opinion on the matter. Francis Place, a master-tailor, worked for many years with a view to securing the repeal of the Combination Laws, and in 1818 he withdrew from his business in order to be able to devote his whole time to the work.

In 1824 the House of Commons appointed a committee, under the chairmanship of Joseph Hume, to consider the state of the law relating to combinations. Hume was sympathetic with the movement for a change in the law, and Place was able to put such a volume of argument and evidence before the committee that it reported in favour of relaxing the Combination Laws. This was done, at least to the extent of permitting combination for the purpose of bargaining with employers on the subject of wages and hours of labour.

The new freedom had results other than those expected by Place. He thought that, although workmen might resent the tyranny of the law which forbade combinations, with its removal a better spirit would develop between masters and men which would make combinations generally unnecessary. Believing in the orthodox economics of the time, he neither expected nor desired to see substantial advances in the wages of the working classes. But Place misjudged the position. The passing of the Act of 1824 led to a number of strikes, and some disorder occurred. Politicians and employers alike were alarmed, and in 1825 a further act was passed. It was intended, in substance, to destroy the freedom which had been granted in the previous year, but by the skill of Hume and Place the danger was, in the main, averted. The Act of 1824 was repealed, and that of 1825 differed from its predecessor in that while the earlier act had conferred immunity from prosecution "under common or statute law" for combination in

restraint of trade, the later act omitted reference to the common law. Men could, therefore, be prosecuted under the common law for any combination the purpose of which was not restricted to bargaining about hours of work and rates of wages.¹ Further, it was made clear that strikers might not molest or in any way obstruct men who wished to continue at work.

After 1824 trade unions were no longer organised in secret. Many new, and short-lived, unions were formed, and many more which had previously, but illegally, existed came into the open. There was no experience of sound principles of organisation to guide the promoters of these associations. In many of these early unions the members paid subscriptions to a fund which, sooner or later, was used to support them during a strike. The inevitable strike occurred, the fund was exhausted, the men returned to work, and the union collapsed.

For several years after 1829 efforts were made to combine small local trade unions in larger organisations. The Grand General Union of the United Kingdom and the National Association for the Protection of Labour each enjoyed a brief period of prosperity, and an even larger organisation, known as the Grand National Consolidated Trade Union, was formed in 1834 through the efforts of Robert Owen. The temporary success of this association was possibly due to the disappointment of the workers with the parliamentary Reform Act of 1832. The membership of the Grand National is said to have approached one million; its ultimate aim was the overthrow of the existing organisation of society and its reconstruction in the interests of the workers, and its method was to be the general strike. But the Grand National failed to satisfy the expectations of its members; it collapsed, and for some years the working classes appeared to be losing faith in the efficacy of trade union action. Some unions were dissolved, and others declined in membership and funds. Workmen turned again to political activity and supported the Chartist movement, from which the unions, as such, held aloof.

From about 1843 a revival began. Not only were new unions formed, but changes in aim, in method, and in organisation made their appearance. In some unions the strike, as a weapon of

¹ The state of the law remained utterly unsatisfactory. Prosecutions for combination continued to occur under the common law, or under obsolete statutes. In 1834 six agricultural labourers were sentenced at Dorchester assizes to seven years' transportation for "illegally administering oaths" in a union they had formed. In spite of much public indignation these men served four years of their sentence before they were pardoned and permitted to return to England.

offence against employers, fell into disfavour, and efforts were made to improve the condition of workmen in other ways. A number of unions in the engineering industry united in 1851 to form the Amalgamated Society of Engineers, which was established on such sound principles that it has lasted until the present day. It preferred to settle disputes with employers by negotiation, and, if necessary, by arbitration. Its funds were substantial, and it was able to maintain a staff of officials. In course of time in several other industries amalgamated unions were set up on the model of that of the engineers. One of the most important features of the unions of this period was that they demanded substantial subscriptions of their members, and they offered friendly society benefits as well as trade benefits. They considered payments in time of sickness and at death to be equal in importance to allowances during strikes and periods of unemployment. This conjunction of friendly benefits with trade benefits was one of the main characteristics of the Old Unionism. The members of such unions were often reluctant to strike. Men who had paid money in expectation of receiving benefits in time of sickness were unwilling to see the fund from which these payments should be made dissipated in a long dispute with employers.

Trade unionism again became active in the sixties, and its growing power was viewed with marked disfavour by the employing classes. Occasional strikes, and some isolated acts of violence for which trade unions were not responsible and which they emphatically condemned, provided an excuse for an attempt to bring about their suppression. A Royal Commission was set up in 1867 to inquire into their conduct, and the hope was expressed in Parliament that the Combination Laws would be restored.

It was contended by the opponents of trade unions that they had destroyed the former kindly relations which had existed between employers and employees (though the framers of this remarkable charge refrained from indicating exactly in what period these kindly relations had existed), that the character of the workmen had deteriorated, that they derived no financial advantage from membership of a union, that the unions were a direct cause of strikes, and that their rules operated in restraint of trade. Little consideration is necessary to recognise that these charges were inspired by malevolence and that unless they could be buttressed by definite evidence they would afford no ground for recommendations adverse to the unions. On behalf of these organisations complaint was made that the Act of 1825 legalised combination for certain purposes only, so that the aims and

activities of most existing unions were illegal. Further, since the Act of 1825 did not specifically sanction the accumulation of funds and the holding of property by the unions, these bodies were at the mercy of their officials. A defaulting treasurer could not be prosecuted. Some trade unions had registered as friendly societies under the Friendly Societies Act of 1855, in the hope of securing protection for their funds, but a judgment of 1867 had declared this to be illegal.

The evidence which was received by the Commission was of such a nature that its reports were necessarily of a different character from what had been hoped for by its promoters. The Majority report was in tone by no means friendly to the unions, but it admitted that the disposition to strike did not increase with the power of the union. It recommended some further relaxation of the Combination Laws, the registration of trade unions, protection for their funds, and the separation of funds intended for friendly benefits from those designed for trade purposes. The Minority report, in the presentation of which Mr. Harrison, Mr. Hughes, and Mr. Beesley were concerned, went much farther. It regarded the disposition to strike as inversely proportionate to the strength of a union; the larger unions had contributed to the stability of trade, while acts of violence had occurred chiefly where there was no union or where the union was weak. It opposed the proposed separation of funds, on the ground that the existence of a separate trade fund would increase the temptation to strike. It recommended the total repeal of the Combination Laws, the registration of trade unions, and full and positive protection for their funds.

As a temporary measure, protection was afforded to the funds of the unions by the Trade Unions (Protection of Funds) Act of 1869, but the chief enactment resulting from the work of the Commission was the Trade Union Act of 1871, which was based, in the main, on the Minority report. It provided that the purposes of a trade union should not be unlawful merely because they were in restraint of trade. A trade union was empowered, but not compelled, to register with the Registrar of Friendly Societies, to whom it was to furnish the address of its office and, annually, a statement of its expenditure and the extent of its funds. Any registered union was enabled to hold land or buildings and to bring or defend actions at law. Treasurers and other officials of a trade union were compelled to render to the union exact accounts of all moneys received by them, and they became liable to prosecution if they misappropriated any part of the funds entrusted to

them. Unfortunately, the right of combination thus recognised was largely nullified by the passage at the same time of a Criminal Law Amendment Act, which imposed heavy penalties upon men who were found guilty of picketing and intimidation. While the law remained in this state an effective strike was nearly impossible.

During the next few years a large number of workmen were punished for breaches of the law relating to picketing. There was a strong agitation for a change in the law, and Gladstone's refusal to modify it lost his party the trade union vote in the general election of 1874. What the Liberals refused to do the Conservatives undertook, and by the Conspiracy and Protection of Property Act of 1875 it was provided that any action or proposed action of two or more persons in connection with a labour dispute should not be regarded as a conspiracy punishable at law if such action when committed by one person only would not be treated as a crime. The effect of this act was to legalise "peaceful picketing," and the right of workmen to bargain with their employers and to make that right effective by withholding their labour was at last fully recognised by law.

The Trade Union Act of 1876 amended the provisions of the Act of 1871 with regard to registration. Certificates of registration were to be cancelled by the Registrar of Friendly Societies only at the request of the union, or in the event of its refusal to furnish the returns required by law, or if the union had in fact ceased to exist.

During the seventies a large number of new unions were formed, but the great depression in trade which began at this time had a prejudicial effect on the fortunes of the movement. There was much unemployment, wages fell, and the membership and the funds of the unions declined. Some unions failed to stand the strain, and disappeared, but the majority survived. Perhaps the most interesting new union of the period was that of the agricultural labourers, founded in 1872 by Joseph Arch. For a time it had a large membership, but feudal influences were too strong for it. The whole weight of the displeasure of the propertied classes in the countryside—the squires, the clergy, and the farmers—was directed against the unfortunate labourers, and in 1894 their union ceased to exist. Some years later an attempt, organised by George Edwards, was made to revive trade unionism among agricultural workers. The Eastern Counties Agricultural Labourers' Union was formed, and in 1914 several successful strikes took place. The control of agriculture by the Government during the war of 1914-18 deprived the movement of importance,

for the time being, at least, but after the war the National Union of Agricultural Workers came into existence.

Trade unionism, so far, had flourished chiefly among skilled workers, but during the eighties efforts were made to extend the movement among the unskilled. Many difficulties had to be faced. Owing, possibly, to a lower level of general intelligence among unskilled labourers they were inclined to be sceptical of the advantages of trade unionism. Their wages were lower, and it was out of the question to expect them to make substantial contributions to the funds of a union. Moreover, in the event of a strike, the labour of the unskilled could be more easily replaced than that of skilled men. Nevertheless, the movement progressed, and unions of dockers, gas workers, and other "unskilled" men were formed. The gas workers, in August 1889, under the leadership of John Burns, Tom Mann, Ben Tillett, and Will Thorne, pressed for a substantial reduction in their hours of work, and secured their demands without a strike. A match-girls' strike, organised by Annie Besant, took place in 1888. The girls had neither organisation nor funds, but public sympathy was aroused; money was subscribed to support them, and they won concessions from their employers. In the summer of 1889 the dock workers of the Port of London embarked on a strike for a minimum wage of sixpence per hour. Much public sympathy was evoked,¹ and the strike was successful, with the result that other unions of unskilled workers were formed.

Trade unionism appeared late among railway workers. The earliest railway trade union was formed in 1871, but the Amalgamated Society of Railway Servants was not formed until 1890, and until nearly the end of the century only one-seventh of the railway workers were members of a union. In 1896 the Amalgamated Society put forward a demand for improved conditions—a ten-hour day and an advance in wages of two shillings per week. The companies not only declined to consider the demands but would not even recognise the union. In 1907 the demands of 1896 were revived. The companies still refused to recognise the union, but the imminence of a strike compelled the Government to intervene. Conciliation Boards were established, and the companies were compelled to recognise the existence of the union. The system of Conciliation Boards did not work well, and in 1911 a strike occurred, which was settled only upon a promise of a Royal

¹ The dockers' strike fund was augmented by subscriptions from sympathisers in this and other countries. A total sum of £48,000 was received, of which £30,000 came from Australia.

Commission to consider the grievances of the men. Further trouble was averted in the following year only by the companies agreeing to modifications in the constitution of the Conciliation Boards. The machinery set up by the Act of 1921 (described elsewhere) for the settlement of labour disputes in the railway service included the representation of the railway trade unions, whose recognition, therefore, was no longer in question.

The aims of the unions which were formed towards the close of the century differed in several respects from those of the older unions. They did not, as a rule, attempt to provide friendly benefits for their members, but regarded it as appropriate that provision against sickness, unemployment, and old age should be the concern of the State. Since the right to vote at parliamentary elections had been conceded to artisans in towns in 1867 and to agricultural labourers in 1884, the organisers of the new unions considered that the working classes could secure these benefits for themselves by direct political action. Political support at parliamentary elections was accorded to candidates who were in sympathy with the ideals of the New Unionism. Such men usually belonged to the Liberal party, and were often designated "Liberal-Labour." In 1893, however, it was decided to form the Independent Labour party,¹ a political group distinct from the existing parties and having its own aims. These were, immediately, the amelioration of the condition of the working classes by State action, and, ultimately, the complete reorganisation of society on a basis of Socialism.

In the early years of the twentieth century trade unionism suffered two severe blows. In 1900 a strike occurred among the men employed by the Taff Vale Railway Company. The company brought an action for damages against the Amalgamated Society of Railway Servants. The union thought that it was amply protected by the Trade Union Act of 1871 and the Conspiracy and Protection of Property Act of 1875;² the court held otherwise, and the union was ordered to pay heavy damages to the company. The position thus created was intolerable to trade unions, which found that, no matter how carefully they might act, their funds were liable to be dissipated in legal expenses and in damages after every strike.³ In 1906 relief was afforded by the

¹ The history of the growth of the Independent Labour party and, later, of the Parliamentary Labour party, is beyond the scope of this book.

² By these acts trade unions had not become corporations; yet it was now held that they possessed the qualities of corporations in that they could be sued.

³ No English employers took advantage of the Taff Vale decision; some Welsh employers did so.

Trade Disputes Act, which forbade the courts to entertain actions against trade unions in respect of "torts"; it definitely legalised peaceful picketing, it permitted actions in restraint of trade so long as they were not violent, and it put the civil liability for conspiracy on the same footing as the criminal liability had been placed by the Act of 1875.

The other blow at trade unionism arose in connection with its political activity. It was customary for many trade unions to exact contributions from their members for the support of the Labour party. Their right to do this was contested by Mr. W. Osborne, a member of the Amalgamated Society of Railway Servants, and his view was ultimately upheld by the courts. The ground of the judgment was that trade unions had no right to embark on courses of action which had not been authorised by the Statute of 1871 and the amending acts, and as these contained no reference to political action this was beyond the legitimate sphere of trade union activity. One effect of the judgment was to imperil the continuance of several other aspects of trade union work. Even the Trade Union Congress might be declared illegal. Further, the very existence of the Labour party was at stake, and it was felt that a state of law which permitted wealthy men to subscribe to the funds of the Conservative and Liberal parties but which denied to working men the right to contribute through their organisations to the funds of the Labour party was intolerable. The matter was dealt with in the Trade Union (Amendment) Act of 1913. Trade unions were permitted to engage in political activity and to raise funds for that purpose, subject, however, to the conditions that such political activity should first be approved by a majority of the members in a ballot taken for that purpose, that political funds should be kept distinct from other funds, that any individual member should be permitted, after giving notice to that effect, to refrain from contributing to the political fund, and that members who availed themselves of this privilege should not be penalised in any way.

This solution of the problem was not welcomed by either the supporters or the opponents of trade unionism. By the former it was regarded as no more than a partial victory; the latter contended that a good deal of indirect pressure might be exerted by enthusiastic members on men who were reluctant to contribute. After the general strike of 1926 a Trade Disputes and Trade Unions Act was passed in 1927, by which it was made obligatory for members to announce their intention of contributing, if they wished to do so, instead of claiming the right to refrain from

paying.¹ The essential difference between the Acts of 1913 and 1927 was that the former regarded contribution to the political fund as normal and abstention as exceptional, while the latter reversed this view, and the practical effect was that a large number of men who were not active or interested in the conduct of union affairs and who would be unwilling to go to the trouble of signing forms would pay under the former act but not under the latter.

The Act also declared that strikes, whether primary or sympathetic, were illegal if they were calculated to coerce the Government either directly or by inflicting hardship on the community, and it forbade Civil Service unions to affiliate with other trade union organisations. The Act of 1927 was keenly resented by the Labour party and by the trade unions as being a partisan measure passed by the party in power against its political opponents. The Labour Government of 1929-31 introduced a bill for its repeal, but the Government was dependent for its majority in the House of Commons upon the Liberals, and as they were unwilling to support the repeal the Bill was dropped. The Labour Government which took office in 1945 introduced and carried, in 1946, a Trade Disputes and Trade Unions Act which repealed the Act of 1927 by declaring that every enactment and rule of law should have effect as though that act had never been passed.

It is of some interest to observe that trade unionism has been much less active among female than among male workers. Efforts, more or less successful, have been made to establish unions among women workers, but it cannot be doubted that large numbers of them take little interest in the movement. To some extent this may be due to the fact that they receive lower wages than men and so are less able to pay union subscriptions. A more probable reason is that to a great many women industrial or commercial employment is not the main business of their lives. They expect to marry and to devote themselves to the management of a home, and many of them do so. They are not interested, therefore, in attempts to establish permanent improvement in the conditions of an employment which they expect to leave. It should be remembered, too, that conditions of labour of female workers have been regulated by the Factory Acts, so that there is less need for trade union action. What has been accomplished for men by trade unions has been achieved for women by the Factory Acts.

Trade unionism has not been limited to manual workers. Many organisations which are in essence trade unions, although as a rule they are not described by this term, exist among "black-coated"

¹ "Contracting in" was substituted for "contracting out."

workers and professional men. Actors, medical men, teachers, journalists, bank clerks, railway clerks, shop assistants, local government employees, and civil servants, all possess some form of organisation which is analogous to a trade union.

One of the most notable features of trade unionism in recent years has been the establishment of large federations and alliances. It was to be expected that in the early days of trade unionism, when communication was difficult, unions should be small and local. As in course of time small businesses amalgamated and large, nation-wide concerns came into existence, labour followed the example of capital and local unions became branches of large organisations. The Miners' Federation of Great Britain was formed in 1889. In the following year an Engineering Federation, and in 1891 a Printing Trades Federation, were established, while in 1892 a federation was formed of the unions concerned in the building industry in London. The National Union of Railwaymen was formed in 1913; some classes of railway workers, however, such as the Locomotive Engineers and Firemen and the Railway Clerks, preferred to retain their separate unions. A National Transport Federation came into existence in 1911, and in 1914 the Triple Alliance of miners, railway workers, and transport workers was formed. (The Triple Alliance ended in 1921, when the Transport Workers and the National Union of Railwaymen failed to come out on strike in support of the miners.) In 1920 the Amalgamated Society of Engineers took in some of the smaller engineering unions and became the Amalgamated Engineering Union. Many other examples of federation could be given; it should be stated that the term covers a variety of organisations, from a loose alliance of practically independent bodies to a highly centralised association, of which the constituent bodies are merely subordinate branches.

The Miners' Federation of Great Britain was an alliance of a number of district unions. For many years the miners were dissatisfied with it, and a conference of the Federation held at Blackpool in 1937 recommended the establishment of a single union. No immediate action was taken, but at a further conference at Nottingham in 1944 it was resolved unanimously that the unions affiliated to the Federation should be amalgamated into one national union. A ballot of the miners approved the resolution, and the National Union of Mineworkers came into existence on 1st January, 1945.

The Trade Union Congress was set up as far back as 1868 (before the full legalisation of trade unions), and most of the

unions are affiliated with it, so that it forms a kind of parliament of labour, on which various interests are represented. The functions of its General Council, which was established in 1920, are to adjust disputes between trade unions, to inquire into the conduct of any union which might appear to be acting in a manner detrimental to the trade union movement, to watch proposed legislation affecting labour and to take appropriate action, and, whenever necessary, to promote common action among trade unions. The General Council is a body of great influence in the labour world, though the larger unions resent any suggestion of control by it; its proper function is, in their view, the co-ordination of labour interests rather than the control of separate unions.

The nineteenth century witnessed the struggle of workmen to secure the right to form trade unions and to obtain recognition of their unions by their employers. The middle years of the twentieth century are witnessing the efforts of some workers to maintain their right not to belong to a trade union. In many large industrial undertakings men refuse to work in the company of others who are not members of the appropriate union, and employers, in order to avoid trouble with their workpeople, sometimes refuse to engage non-union men. Some local councils insist upon all their employees belonging to a trade organisation, though in their efforts to carry out this policy they have not always been successful. The Trade Union Congress has not officially endorsed this movement for the "closed shop"; it has put forward as an ideal the attainment of trade union membership of one hundred per cent, but it has refrained from advocating compulsion.

CHAPTER XXVI

MODERN BRITISH SHIPPING

THE extent of the influence of the Navigation Acts in building up British maritime supremacy in the seventeenth and eighteenth centuries has already been considered. Whatever differences of opinion exist on this subject, there can be no doubt that the disuse and ultimate repeal of the acts in the first half of the nineteenth century was not followed by any diminution in the importance of the British mercantile marine, which remained the foremost in the world. During the earlier part of the century a considerable amount of merchant shipping was built in the United States, but during the Civil War (1861-5) much of this was destroyed, and the Americans failed to recover the ground they had lost.¹

Important technical changes occurred in shipping in the course of the nineteenth century. The steamship came into existence many years before the first steam railway was opened. As early as 1802 a steamship, the *Charlotte Dundas*, designed by William Symington, was working on the Forth and Clyde Canal. In 1807 the *Clermont*, designed by an American, Robert Fulton, but fitted with a Boulton and Watt engine, ran on the Hudson River between New York and Albany. In 1812 the *Comet*, a passenger steamer built by Henry Bell, ran on the Clyde at a speed of five knots, and in the next few years many passenger steamers were constructed. A steamship built at Glasgow in 1815 made a voyage to London, and thenceforth plied between London and Margate. The Atlantic was crossed by a steamship, the *Savannah*, in 1819, and another, the *Enterprise*, made the voyage to India by way of the Cape in 1825, the year of the completion of the Stockton and Darlington Railway. The General Steam Navigation Company was formed in 1824.

The earliest steamships were sailing vessels to which engines and paddle-wheels were added. Sailing ships found it difficult to make progress against head winds, or in calms, and at first it was intended to use the engines only when conditions did not favour sailing. With a fair wind the ship would spread her sails;

¹ The coming of the iron ship was fatal to the United States mercantile marine, as American iron and coal were not conveniently situated for shipbuilding. The cost of shipbuilding in the United States was greater than in Great Britain, and in the internal development of the country there were many more profitable ways of investing capital than in the building of ships.

in a calm, or when the wind was unfavourable, steam would be used. Before the middle of the nineteenth century ships propelled entirely by steam were built; until quite late in the century the number of sailing vessels on the British register exceeded that of steamships, though the total tonnage of the latter was greater than that of the former.

The opening of the Suez Canal in 1869 proved to be a decisive factor in the struggle between the two types of ship. The canal was not used by sailing ships, which continued to go to the East by the long sea route. The voyages of the latter occupied many weeks—occasionally some months—and in view of the occurrence of storms and calms no reliable time-schedule could be drawn up. The steamship was faster, it followed a shorter route, and dates of sailing and arrival could be announced with great accuracy.

The earliest steamships were built of wood, and were paddle-boats. Before the middle of the century the screw propeller began to replace the paddle-wheel, except in steamers engaged in river- and short sea-voyages. Iron was used in place of wood in the building of ships, and in the last quarter of the century ships were constructed of steel instead of iron. With the great advance in methods of producing steel the price of the material was reduced, and with it the cost of shipbuilding. Steel plates were thinner than those of iron, so that the steel ship was lighter and rode higher out of the water than its iron predecessor. It could, therefore, receive more cargo before the load-line was reached. This increase in cargo-carrying capacity tended to reduce freights.

Improvements in marine engineering followed. The four-cylinder engine, which was introduced in 1854, produced much higher steam-pressure with a lower fuel consumption. The compound engine followed, and was succeeded by the triple-expansion engine, which in turn gave place to the quadruple-expansion engine. In these the power of the steam was used again and again, so that the amount of fuel needed for a given voyage was reduced. Less bunker space was required, and more space was available for cargo. The invention of the turbine, by Sir Charles Parsons, of Newcastle, resulted in a further increase in speed and reliability. A more recent change has been the use of oil in place of coal as fuel.¹ The use of the internal-combustion engine has spread less rapidly at sea than on land or in the air, but it is increasing. More than half the ships built in in 1946 and 1947 were motor ships.

¹ In 1927 there were 18,000,000 tons of shipping in the world in which oil fuel was used.

This succession of technical developments enabled Great Britain for many years to maintain not only the largest but also the most up-to-date mercantile marine in the world. British shipowners and shipping companies took advantage of every improvement by building new vessels and selling their older craft abroad. It is still true that a large number of the ships on foreign registers are British-built vessels which began their work at sea as British ships. It follows that a very large proportion of the British mercantile marine consists of ships in which the latest improvements are embodied and which, therefore, are most economical and most profitable to work.

Since the repeal of the Navigation Acts British shipping has been subject to very little Government control. While *laissez-faire* views prevailed there was no greater desire to regulate shipping than railways; in any case, the establishment of complex regulations for the mercantile marine would have been very difficult. A shipping company, unlike a railway company, was not under any necessity to seek Parliamentary sanction, since it had not to purchase land; its "track," the sea, was open to all. If elaborate regulations had been framed by the Government it would have been much easier for a steamship company than a railway company to evade them; the latter operated within the country and could be made subject to inspection, while the business of the shipping company was carried on outside the country, away from the eye of the Government. Many British ships which were engaged in the carrying trade were tramp steamers,¹ which picked up cargo at any port for any other port, for any freight rates that were offered. They might be away from England for years, and attempts to regulate their activities could not have been enforced. British tramp steamers had to compete

¹ Ships which operate a "shuttle service" between two ports, such as Liverpool and New York, or which work on a regular round which may include several ports, are liners. Since they sail to a scheduled time-table their owners must establish branches or agencies at all the ports of call to arrange for the collection and shipment or the discharge of cargo; without the assistance of such organisation liners would inevitably be delayed. But the maintenance of these branch offices involves an expenditure which can be faced only by large companies, and cargo liners are usually owned by such companies.

Tramps are ships which are prepared to go anywhere, at any time, and with any type of cargo, in accordance with the requirements of trade. No costly organisation is required, and a ship may be owned by one man or by a small group. In the nineteenth century many tramps were owned on the sixty-fourth principle; the value of a ship was considered as being divisible into sixty-four parts, and a number of persons might each have an interest in it of so many sixty-fourths.

for cargo with the vessels of other countries, and, if restrictions had been imposed and could have been enforced, the unhampered competitors of British ships would have triumphed.

Yet the entire absence of State supervision of the mercantile marine in the middle of the century was in some ways not to be commended. Ships were subject to no test of seaworthiness. Old vessels were overloaded and undermanned, so that they might earn for their owners a maximum of profit at a minimum of expense. Occasionally they were heavily insured and sent to sea in the hope that they would be lost, in utter disregard of the great danger thus caused to seamen; such practices were of course illegal, but proof of intention was difficult to obtain. Within the past eighty years regulations have been framed with a view to securing the seaworthiness of ships, the safety of passengers, and the proper treatment of the crew.

The pioneer in the task of arousing public opinion on this matter was Samuel Plimsoll, a member of Parliament who contended that ships should not be passed as fit for service without a proper survey, that the plating used in their construction should be subjected to adequate tests, and that a load-line, which should never be submerged, should be marked on each vessel. He pressed also for the abolition of deck cargoes, which might make a ship top-heavy, and of the carrying of grain cargoes in bulk—a dangerous practice, since in heavy weather the grain would roll from side to side in the hold of the ship and hinder it from recovering its balance; it might even turn turtle and founder.

In 1871 some powers in connection with the mercantile marine were given to the Board of Trade. These were inadequate to cope with existing evils, and remained so after they had been extended in 1873. A Royal Commission was appointed to investigate the question, and, as the Government showed no inclination to move in the matter, Plimsoll determined to do so himself by introducing a bill in the House of Commons. A private member's bill has little or no chance of becoming law, however strong may be the feeling of members in its favour, unless the Government grants facilities for its passage, and for this reason Plimsoll's bill was dropped. But by this time he was arousing public opinion on the subject, and the Government at length thought it advisable to take action.

By the Merchant Shipping Acts of 1875 and 1876 penalties were to be imposed on shipowners who sent vessels to sea in an unseaworthy condition. Deck cargoes were to be limited, and a load-line was established. That the official load-line has been

popularly named the Plimsoll line is a recognition of the value of Plimsoll's work. By subsequent enactments rules were formulated to ensure the safety of ships in which grain was carried. The Merchant Shipping Act of 1894 extended and codified the law on the subject.

For the safety of passengers and crew at sea the provision of life-buoys, life-belts, and life-boats was required, and after the loss of the *Titanic* in April, 1912, the regulations on this subject were revised and more rigidly enforced. A more recent requirement is that all vessels on which passengers are carried shall be equipped with apparatus for the receipt and transmission of messages by wireless telegraphy.

The development of British shipping in the nineteenth century was like that of British railways in that it was the result of private enterprise and was not in any way aided by the Government.¹ It was the natural outcome of the great expansion of British industry during the period. British manufactured goods were in demand all over the world; raw materials for British industries were received from all parts of the world; in the latter part of the century food was imported in ever increasing quantities; British coal was wanted everywhere for bunkering purposes. The importance of the export of coal during the nineteenth century was considerable, in that it provided an outward cargo for ships which arrived at British ports laden with food and raw materials. If outward cargoes had been lacking and ships had had to leave in ballast, higher freights must have been charged on the inward cargoes; food would have cost more, the materials for industry would have cost more, and industrial expansion would have been retarded.

Ships were built in Great Britain with British capital because there was a reasonable prospect of their finding employment and so providing a return on the capital involved in their construction. For this reason, too, tramp steamers were built; they earned money as they plied from port to port, and profits passed to the pockets of their owners. The total amount earned by British tramp steamers in all parts of the world formed for many years an important item in the "invisible exports" of Great Britain. The facilities for shipbuilding which existed in Great Britain enabled British shipyards to compete successfully with foreign shipyards in the construction of ships for countries which desired to own but

¹ Subsidies were granted by the British Government to steamship companies which undertook the carriage of mails, but this was no more than payment for services rendered.

could not build them; this was another important factor in British prosperity.

Before 1890 the United Kingdom constructed about eighty per cent of the world's shipping and owned about sixty per cent. The shipbuilding industry was highly specialised. Many firms were engaged in it, but some of them limited their attention to special types of craft, and others were concerned only with particular aspects of the industry—the building of hulls, or of marine engines, or the making of plates and castings. This specialisation, and the great volume of British production, made it possible for the industry to benefit from the advantages of division of labour.

British pre-eminence in shipbuilding in the nineteenth century was due to several factors, one of which was that indicated above. Another was the presence of coal and iron in great quantities near the coast. In this respect Great Britain possessed an advantage over the United States and was able to build ships more cheaply than her rival. The magnitude of British production led to the evolution of a race of trained and highly skilled engineers and shipwrights—men whose technical skill was far in excess of that of their foreign rivals.

The great depression of the last quarter of the nineteenth century affected British shipping adversely. As mentioned above, the ships which were built in this period embodied improvements which afforded more cargo space and greater speed, and the opening of the Suez Canal shortened several important trade routes. For a time the amount of tonnage afloat was substantially in excess of the requirements of the world's trade. Freights fell heavily, and there was keen competition among ships to secure such cargo as was available.

The British mercantile marine had, in the same period, to face the development of German competition. Great efforts were made in the German Empire to build up a mercantile marine which might in course of time rival that of Great Britain. The main reason for the considerable degree of success that was attained was the expansion of German industry; if there had been no manufactured goods to export and no raw materials to import it would not have been possible for Germany to construct a great merchant fleet. But the growth of a German mercantile marine was something more than the natural result of industrial development; it was directly and indirectly encouraged by the German Government—directly by the grant of subsidies and bounties, and indirectly by such devices as the reduction of port dues and heavy payments for the carriage of mails.

One consequence of the depression which overtook the shipping industry in the last quarter of the nineteenth century was the growth of combination in the shipping world. In some cases competition was eliminated by the amalgamation of rival lines, such as the Union Line and the Castle Line. More frequently, shipping companies retained their independence but entered into conferences in order to reduce competition and to prevent a further fall in rates and fares. In these conferences freights were fixed and agreements were entered upon to prevent undercutting. These conferences necessarily applied only to liners; the conditions under which cargo was carried by tramps precluded all possibility of such agreements. For this reason conferences were more easily arranged in regard to the export rather than the import trade; a large part of British imports consists of raw material which is shipped to Great Britain by such tramp steamers as may be available, and the rates charged by tramps vary according to so many circumstances that standardisation is impossible. To some extent, and with only a limited degree of success, efforts were made by British shipping companies to secure the inclusion of their German rivals in the conference system.

Closely associated with the conference system was the deferred rebate system. It was customary to require from shippers of cargo a payment called *primage* for the use of the ship's gear in loading and unloading, and during the Great Depression it became common to return this amount to those merchants who regularly sent their goods by the same line, or by lines which were associated in the same conference. But the rebate was not paid at once. Payment was kept six months in arrear, and if at any time a merchant sent goods by any line not in the conference he forfeited such amounts as were due to him. The system was clearly devised in order to ensure the loyalty of merchants to the lines which regularly carried their goods.

The first of these conferences was concerned with the Calcutta trade; it was formed in 1875, and was followed at intervals by conferences relating to trade with several other parts of the world. The arrangement was criticised on account of its monopolistic tendency, but it was contended on behalf of the conferences that the system was advantageous to merchants in that it tended to stability of rates; merchants could quote for their commodities prices which should include carriage overseas. Better and more regular services could be provided by shipping companies, and larger ships could be built. Working costs would be lowered, and competitive advertising might be eliminated. These

factors would be to the general advantage of all concerned in the industry.

The continuance of criticism of the conference system led to the appointment in 1906 of a Royal Commission to investigate its working. The result of the inquiry was, on the whole, satisfactory to the conferences; the Majority report found no serious fault with them, though the Minority report referred to the evils arising out of monopoly and expressed the view that the system had tended to increase freight rates. It appeared to think that the most effective counter-agent to such evils was fuller publicity.

A much more serious charge was brought by the critics of the conferences in the early years of the twentieth century, a charge comparable with the complaints which a generation earlier had been brought against the railway companies concerning preferences. It was asserted that the conferences sometimes charged lower rates from continental countries than from Great Britain. Such a practice necessarily affected British trade prejudicially, though it was defended as being necessary in face of the competition of foreign shipping lines.

The deferred rebate system was inquired into by the Imperial Shipping Committee in 1923. The committee came to the conclusion that it was not unreasonable for the companies to devise some scheme by which they might be assured of the loyalty of their customers, and it refrained from condemning the system.

The adverse conditions which affected British shipping towards the close of the nineteenth century directed the attention of the shipping world to the growth of the German mercantile marine. It appeared, as stated above, that this was to no slight extent due to the encouragement afforded to it by the State. Many people held that what was good for Germany could not be bad for Great Britain, and they pressed for the abandonment of its *laissez-faire* attitude by the Government. It need not be assumed that they were necessarily right in assuming that the growth of the German mercantile marine was really due to the assistance it received from the State, nor, even if they were right in this, that their further contention was sound. But, right or wrong, this view gained ground. Little was done by the Government, but it may be noticed that the Cunard Company received a State loan in order to assist in the construction of the *Mauretania* and the *Lusitania*.

During the war of 1914-18 British shipping suffered heavily as the result of the German submarine blockade of Great Britain. The losses were so great that they might have exerted a serious, even a decisive, effect on the course of the war had it not been for

the vigorous work of the British navy in attacking and overcoming the submarine menace and for the activity of British shipyards in building ships to replace those that were lost. At the conclusion of the war the amount of British tonnage afloat was naturally less than at the beginning, but building continued, and in a few years the losses had been more than made good. Other nations, especially the United States and the Scandinavian countries, also built many ships. By June, 1919, less than a year after the termination of hostilities, the world's (though not the British) losses of tonnage had been made good, and by four years later the floating tonnage in the world was one-third greater than in 1914. The British mercantile marine after the war consisted of fast, well-equipped, and up-to-date vessels, including many motor ships and many oil-burning ships. But, though it was still the largest in the world, it contained only about one-third of the world's floating tonnage, instead of, as in 1914, nearly one-half.¹

It is clear that the amount of shipbuilding after the war was in excess of the requirements of trade. The depression which after a few years settled upon the world's trade had an adverse effect upon shipping. Most countries tried, by prohibitions and high tariffs, to reduce the amount of their import trade, and, whether intentionally or not, they diminished the amount of their export trade as well. Less shipping was required to carry this reduced volume of trade, and for some years in many of the ports of Great Britain merchant ships were laid up because there was no demand for their services. In the main these were the older ships on the register; they were unable to meet the competition of more up-to-date vessels, which were more economical to work.

The shipping depression was felt most severely in the tramp trade, which was hit not only by the general lessening of demand due to surplus of tonnage, but especially by a decline in the export of coal. The line of demarcation between tramps and liners became less clear than formerly, since in slack times some ships which normally were employed as liners turned to tramp work, while in the occasional periods of reviving activity tramps might be pressed into service as liners.

¹ The percentage of the world's shipping sailing under the British flag at different times was as follows:

1890	60%	1920	36%	1937	31·8%
1914	46%	1930	33·6%	1947	24·6%

In 1914 the United Kingdom owned 12,000,000 tons of shipping out of a world total of 26,000,000 tons; in 1947 the British Empire owned 18,500,000 tons out of a world total of 75,000,000 tons.

The length and severity of the depression led to a renewal of the demand for State assistance to British shipping. Nearly every foreign government in the world gave subsidies to its shipping in the period between the wars, and it was felt that the British mercantile marine could not be expected to hold its own without State aid. This view was at length accepted by the British Government, and in the four or five years immediately preceding the outbreak of war in 1939 a measure of State aid in the form of both subsidies and loans was given to both tramps and liners.

The losses of British shipping in the war of 1939-45 were very great, and though much building was undertaken during the war the task of restoring the British mercantile marine after the collapse of the enemy powers was formidable. German merchant ships were allocated among the victors, and Great Britain received forty-six per cent of the available tonnage; these ships were not retained by the British Government, but were sold to shipping firms in this country. The United States disposed of many of its ships, some of which were purchased by British shipowners; this would not have been possible had the British Government not permitted the use of dollars for this purpose. But the most important factor in recovery had necessarily to be new building. The shipyards of Great Britain were already busy with the work of reconditioning ships which had been employed on war service and were now being restored to peaceful trade, and of repairing vessels which had suffered damage at the hands of the enemy. There was not a full supply of labour, and there were shortages of materials. Steel plates, in particular, were needed in greater quantities than could be supplied, since steel was required for so many other purposes in the work of post-war reconstruction, and the output of steel was limited through an insufficiency of coal. Despite all these difficulties shipbuilding went on, and it was estimated in 1946 that more than half the building which was going on in the world was taking place in British yards. By the end of 1946 the total tonnage of the British mercantile marine was about 16,500,000.

One other feature of the post-war merchant navy of Great Britain demands attention. Conditions of service in merchant ships, which in the past had been far from satisfactory, were standardised, and in March, 1947, rules which were to be generally enforced were formulated with regard to scales of wages, hours of work, periods of leave, and continuity of employment. The provision of proper quarters and adequate diet also received

consideration. The application of these rules had necessarily to be reasonable; when a ship was in peril seamen could not cease work merely because they had already been on duty for the full number of hours expected of them. Nor could ideal conditions be established immediately, especially in the older ships. But the promulgation of a standard of safety and comfort and of fair treatment for merchant seamen superior to anything that had hitherto been thought necessary marked the beginning of a new chapter in the history of British shipping.

CHAPTER XXVII

THE CO-ÖPERATIVE MOVEMENT

THE prevalence of *laissez-faire* philosophy in the first half of the nineteenth century encouraged the spirit of competition. Merchants and manufacturers competed against one another in the production and sale of their goods. Workmen competed for employment, and employers were ranged against them in an effort to bring wages down to the lowest possible level. One of the attempts to check and overcome the evils attendant upon a system of unrestrained competition took the form of the co-operative movement.

In the earlier years of the century several movements were initiated which were styled co-operative. The term at first had no very definite meaning, and it was applied to various schemes of a more or less Socialistic character. In course of time it was used more particularly in connection with activities which had as their aim the reconciliation of interests which are normally regarded as competitive. In the most successful form of co-operation, that in retail trading, the antagonism in interests of buyer and seller is eliminated, since the same body of people are buyers and sellers. In co-operative production the same men are employers and employees. Building societies, which represent co-operation in the field of credit, reduce the conflict of interests between borrower and lender.

The co-operative stores which are so well known in most parts of the country afford examples of co-operation in retail trading.¹ This movement began in 1844, when a society called the Rochdale Equitable Pioneers and consisting of twenty-eight working men was formed in Rochdale. Each of the members saved one pound which he contributed to the society, whose initial working capital was thus £28. This money was used in the purchase of groceries and other commodities at wholesale prices; a "shop" was opened in a room in the house of one of the members in Toad Lane,

¹ This is often incorrectly described as co-operation in distribution, or distributive co-operation. The objection to this term lies in the use of the word "distribution" in a sense other than that ordinarily assigned to it by economists. The distribution of the wealth produced in a community is its apportionment between the various classes concerned in its production—rent to landowners, interest to those who provide capital, wages to the workers, and profits to those who undertake management.

Rochdale, and the goods were sold to the members at ordinary retail prices. A profit was thus made by the society and the capital remained available for further trading. Other members joined, and the scheme quickly met with success.

Out of the gross profits it was decided to pay five per cent interest on the capital subscribed by the members, and, as the society developed, it was resolved to set aside, periodically, a part of the profits for educational and philanthropic purposes. After these charges were met, and rent and wages (which, of course, had to be provided for as soon as the society outgrew its original home in Toad Lane) were paid, the balance was distributed as "dividend" in proportion to the amount of the purchases made by members. Members thus received two kinds of payment from the society—interest on the amount of share capital which they held, and dividend on the amount of their purchases. To encourage poor people who could not afford the sum needed to buy a share to join the society, they were permitted to become members on the understanding that their dividends should accumulate until sufficient money was available for the purchase of the qualifying share. The trading of the society was conducted on a strictly cash basis, so that one of the factors which the ordinary retail tradesman was bound to take into account—provision for bad debts—did not arise. The management of the society was in the hands of the members, and it was a basic principle that all members should have equal voting power at meetings. If voting power had been proportionate to the number of shares held, the control of the society might have passed into the hands of a few well-to-do members.

A striking degree of success attended the venture. The members of the Rochdale society were soon numbered by hundreds, and, after a few years, by thousands. Similar societies were established in other towns in Lancashire, Yorkshire, and the Midlands. For a time the progress of the movement was slower in the south of England, but it is to be observed that the London Co-operative Society has made great strides since the beginning of the twentieth century. The total membership of the retail co-operative societies at the end of 1946 was over nine and a half millions, and the business turnover for that year was £395,000,000.

The range of co-operative trading has been immensely extended since the humble beginnings of the movement at Rochdale. In addition to grocery and provisions, meat and greengrocery, milk and bread and other foodstuffs are sold. Clothing and boots, drapery and furniture, hardware and coal are also included in the

activities of the societies. Even such services as laundry-work, carpet-beating, and furniture removal are undertaken by some of the larger establishments.

The success of the movement may be attributed to several circumstances. The inherent attractiveness of a scheme by which goods can be secured by retail at only a small advance upon wholesale prices naturally commends it to many people. The fact that co-operative societies have never sacrificed quality to cheapness has also tended to establish their reputation as purveyors of first-class goods. They have no debts to be written off as irrecoverable, and they have the great advantage of possessing a regular clientèle whose wants are well known. There is less of the speculative element in the wholesale buying by the societies than in that of other businesses, and there is no necessity for them to advertise in order to retain their customers.

An important extension of the work of these retail trading societies was the establishment of the Co-operative Wholesale Society, at Manchester, in 1864. It stood in the same relationship to the retail societies as these did to their members. The capital of the Wholesale Society was provided by the retail societies, which received interest on their shares in, and dividends on their purchases from, the society. This money augmented the profits of the retail societies and tended to increase the dividends of their members. The function of the Wholesale Society was to make purchases on a larger scale and on more advantageous terms than would have been possible by the retail societies acting separately. In course of time it extended its activities by entering the field of direct production, and it now manufactures boots and shoes, woollen goods, clothing, and many other things. It has also established a banking business for the benefit of co-operative societies, friendly societies, trade unions, and other kindred organisations.

Certain other societies, such as the Civil Service Supply Association, the Civil Service Co-operative Society, and the Army and Navy Stores, were formed in London and were conducted on principles somewhat different from those prevalent generally throughout the movement. The ordinary co-operative society sells at retail prices, to members and non-members alike, and distributes dividends to members. But the societies mentioned above sell as well as buy at wholesale prices, a percentage being added to cover overhead expenses. In actual fact such establishments differ little from other large stores which lay no claim to be co-operative.

The founders of the co-operative movement thought that the adoption of its principles and their extension in various directions would ultimately bring about an entire transformation of society, and that many, if not all, of the evils attendant upon the competitive system would disappear. Viewed from this standpoint it cannot be contended that the movement has been a marked success. It has been more successful in retail trading than in other directions, but the most serious economic problems of the industrial age have arisen from the antagonism of employers and wage-earners and not from that of buyers and sellers, and the attempt to solve them by the application of co-operative principles has not met with any great degree of success.

In the second half of the nineteenth century many attempts were made to set up establishments for production on a co-operative basis. These concerns included flour-mills, tailoring factories, iron and steel works, boot and shoe factories, bakeries, and establishments of several other kinds. In each of them the workmen were the shareholders of the society, whose capital they provided, and they received from it wages for their labour, interest on their invested capital, and dividend ¹ from the net profits which remained when all other charges had been met. The direction of the establishment was in the hands of a paid manager or of a committee of the workmen, or both. The same body of men were thus employers and employees, and it was expected that the natural opposition of interests of these two classes would disappear.

Most of these schemes were unsuccessful. The establishment of a co-operative factory could not be undertaken without a much larger mass of capital than was necessary for the setting up of a shop, and the provision of capital to the necessary amount was usually beyond the capacity of the workmen. In many cases additional capital was supplied by philanthropists who were interested in the experiments that were being made. The management of these undertakings has not always been satisfactory, and it has been a real weakness of the movement that the workmen who own the factories have not recognised the necessity of paying large salaries to secure the services of able managers. Keen competition between one co-operative factory and another has been another source of weakness. In some cases co-operative principles have been departed from altogether; prosperous co-operative factories, in need of additional labour, have employed men without admitting them to a share in the business. Such

¹ Dividends might be based on the amount of share capital held or, more commonly, on the amount of wages earned.

concerns have ceased to be co-operative; they are merely manufacturing companies with a large number of shareholders, all or most of whom happen to be workmen in the employ of the company.

During the nineteenth century experiments were made in co-operative agriculture. The labourers on a co-operative farm were its owners, paying themselves wages for their labour and interest on their share capital and receiving dividends out of the profits, and they kept the management in their own hands. But agricultural labourers were too poor to provide capital out of their own resources, and it was possible to start such schemes only with the aid of philanthropists. Some of the attempts were sufficiently successful to enable the labourers to repay the capital loaned to them; others failed, though not always for reasons connected with the application of co-operative principles. With the coming of the Great Depression in the last quarter of the nineteenth century the co-operative farms suffered with others, and many ceased to exist. Those which remained needed outside assistance to enable them to weather the storm. Some co-operative farms are still in existence, but it is doubtful if more than a few make a profit.

Building societies are not usually thought of in connection with the co-operative movement, but they are essentially co-operative in their principles. The opposing interests which are brought into harmony are those of borrower and lender. Many such societies were formed during the nineteenth century. Each contained a number of members who made periodical payments to it. A sum of money was thus accumulated which was lent to any one of the members who wished to buy a house, which became the society's security for the repayment of the loan. In course of time many members received such loans. They continued to make their periodical payments, which reduced the amount of their indebtedness, and they paid interest on the outstanding balance. Members who did not receive loans were assigned interest on the amounts standing to their credit in the society's books. These societies met with a very considerable measure of success, and by their instrumentality many persons who could not have done so in any other way became owners of house property.

The retail co-operative societies offer somewhat similar opportunities to their members to purchase houses. Out of their surplus capital loans are granted for this purpose to members, to be repaid by periodical instalments. Such members can arrange for the dividends on their purchases and the interest on their share capital to be applied towards meeting the instalments as they

become due. Members can "eat and drink their way into a house."

When the earliest co-operative societies were formed it was found that they, not being in law corporate bodies, were subject to serious disadvantages. They were unable to trade with non-members, their funds were not protected from embezzlement by their officials, and each individual member was liable for the debts of the whole society. Various acts have been passed to remove these defects, and the position of the societies is now regulated by the Industrial and Provident Societies Act, 1876.

In order that the co-operative movement should not always consist of a number of unconnected societies a Co-operative Congress was established in 1869, and it has met annually ever since. A Co-operative Union, to which most of the societies are affiliated, was formed to direct the policy of the movement as a whole.

It would be beyond the scope of this book to describe fully the extension of the co-operative movement to the continent of Europe, but it may be remarked that it is very strong in Belgium and, before the recent war, in Germany, and that in these countries it is in close alliance with trade unionism. Efforts have been made to bring about a connection between co-operation and trade unionism in Great Britain, and some years ago negotiations were opened for the establishment of a joint committee of the Co-operative Union, the Trade Union Congress, and the Labour party. The attempt failed, the co-operators preferring to remain free from affiliation with an established political party. Some amount of political activity has, nevertheless, been shown by the Co-operative Union. It has run candidates for the House of Commons, and some of them have been elected. These men have usually sat and voted with the Labour party, with whose political aims the majority of co-operators are, in all probability, in sympathy.

CHAPTER XXVIII

PAUPERISM

THE problem of pauperism, as understood at the present time, did not arise in the Middle Ages. A good deal of poverty must have existed, since the real wealth of the country was much less than it is now, and its distribution was quite as unequal as it is to-day. The standard of life for the mass of the people was low. Nevertheless, the uncertainties and mischances which beset the working classes nowadays were in large measure absent from medieval life. The failure of a harvest might involve the inhabitants of a manor in great privation, but, as has been indicated already, there was no fear of unemployment, sickness was not an economic calamity, and the advent of old age was not overshadowed by fear of privation.

Such cases of destitution as occurred in the Middle Ages were relieved without recourse to State action. Gild members who fell into poverty were assisted by the fraternity, whose interest extended to the care of the widows and orphans of deceased brethren. Monastic charity was exercised towards all who needed it, and many great lords and great ecclesiastics kept open house to all comers. Hospitals and lazaret-houses existed for the sick.

With the passing of the Middle Ages the number of destitute persons increased. The development of pasture farming in some parts of the country involved the expulsion of many of the villagers from their holdings. Without occupation, they drifted into towns or became vagrants or robbers. The towns possessed their quota of unemployed journeymen. During the continuance of the Hundred Years War and the Wars of the Roses some of these persons were engaged in fighting; after the establishment of peace under the firm rule of the Tudors baronial retainers were dispersed and the countryside swarmed with able-bodied beggars. The old sources of charity were inadequate to deal with the problem which had arisen; in any case, guilds were in decay and monasteries were soon to disappear.

It became necessary for the State to deal with the problem of poverty. It was at first assumed that able-bodied beggars were lazy persons who preferred idleness to work, and in the reign of Henry VIII it was ordered that they should be punished for not being in settled employment. The law of 1531 required that every person found begging without licence should be whipped twice. After the whipping he was to receive a certificate that the

punishment had been inflicted, and he was then permitted to beg his way from place to place until he reached his native town or village, where he was expected to settle down to work. Impotent persons, and soldiers who had been wounded in the wars and were unable to work, were given a licence to beg, which seems to have been the Tudor substitute for a pension.

This brutal law had little effect in reducing the number of beggars in the country. It was followed, in 1536, by an act which made a real attempt to analyse and solve the problem. The destitute were classified into the impotent, for whom alms were to be collected in each parish, the able-bodied who were willing to work, for whom work was to be provided, and the lazy, who were to be punished. Pauper children were to be apprenticed. This act can hardly have been generally enforced; the omission of any compulsion to contribute to the poor-fund rendered it ineffective.

In 1547, in the reign of Edward VI, it was enacted that a person caught wandering without employment should be branded with the letter V (for vagabond) and be compelled to work as a slave for his captor for the space of two years, during which time he was to be fed on bread and water and broken meats, and was to be kept at work with stripes. For a further offence he was to be branded with an S (for slave) and was to be enslaved for life. If he attempted to escape he was to be punished with death. This law, however, was soon repealed, and that of 1531 was restored.

By other acts, in 1547, 1552, and 1557, attempts were made to organise the collection in church of voluntary alms for the necessitous poor. By a further act, in 1563, it was ordered that those who declined to give alms should be brought before the Justices of the Peace, who were to exhort them to contribute, and, if persuasion failed, to compel them to do so. The fact that exhortation to voluntary almsgiving had to be ordered in several successive acts indicates that it was proving inadequate for the solution of the problem, and in 1572 a compulsory levy was ordered; in this way the poor-rate came into existence. Justices of the Peace were to make assessments in each parish and to appoint collectors to receive the money and overseers to distribute relief and organise employment. This act further ordered that severe measures should be taken against vagrants, who were to be whipped and branded, and, for repeated offences, hanged.

An important act passed in 1576 attempted to deal with the problem on comprehensive lines. Materials were to be purchased by the parochial authorities in order that employment might be given to the workless. Houses of correction were to be set up

in every county; vagabonds, and those who refused to work, were to be committed to them, and, after being whipped, were to be set to work. A further act was passed in 1597. These laws were not suffered to remain unenforced. The immediate onus of enforcement lay upon the Justices of the Peace, who were being constantly reminded of their duty by the Council.¹

The experience of the working of the various acts passed in the Tudor period was used in the framing of the great Poor Law of 1601. There was little that was new in this act; it was a codification of the existing laws on the subject, and its principles long remained at the basis of Poor Law administration. Each parish was to be responsible for the maintenance of its poor. The impotent poor were to be maintained, and work was to be provided for the able-bodied. The idle were to be detained and compelled to work in houses of correction.² Pauper children were to be apprenticed in order that they might grow up to be self-supporting members of society. The cost of poor-relief was to be met partly from the proceeds of fines inflicted for recusancy and partly from a rate levied by the overseers upon the householders of the parish.

The law was administered with some vigour in the first half of the Stuart period, but after the Restoration the importance of the Council declined, and the carrying out of the Poor Law was left to the local authorities without much attempt at supervision by the central Government. The result was that uniformity of administration disappeared, and, though the principle of parochial responsibility was retained, its chief effect was to make every parish eager to avoid liabilities which could be transferred elsewhere. It was felt to be unfair that persons who might become destitute should settle in a parish which might become liable for their support. By the Law of Settlement, passed in 1662, newcomers to a parish might, within forty days of their arrival, be removed to their last place of settlement unless they gave security in respect of the liability of the parish for their support, and in course of time several supplementary acts were passed to deal with points which arose out of the working of the law.³ The effect was

¹ As stated in an earlier chapter, the Council was a body of great importance which directed the government of the country. It consisted of a few great lords and a number of officials of high rank.

² Some of the houses of correction established in the Tudor period were indistinguishable from prisons; others were "workhouses," though this term did not come into general use until the eighteenth century.

³ In many parts of the country the practice of "squatting" appeared. Poor people erected huts on waste land and eked out a precarious living in various ways. The Law of Settlement was originally intended to operate against such persons.

to prevent workmen leaving their homes in order to find work elsewhere. A new kind of serfdom was imposed on the poor. They were compelled to remain in their place of settlement, not because they were forbidden to leave it, but because no other place would receive them. Some attempt was made to mitigate the hardships of the system in later years by the establishment of the certificate system. If a man was desirous of moving to another parish and was able to obtain, from the authorities of the parish he was leaving, a certificate which acknowledged their liability for his support if he became destitute, he was permitted to reside in his new parish, where he would not acquire a settlement unless he became well enough off to rent a house worth ten pounds per annum, or unless he was appointed to some parochial office.¹ In 1795 the Law of Settlement was relaxed to the extent that it was not to operate until the person became actually chargeable to the poor-fund.

In 1722 the Workhouse act was passed. Workhouses already existed in some towns, and by this act the system was extended. Parochial authorities (the churchwardens and overseers) were empowered to provide workhouses in which the poor could be housed, and people who declined to enter the workhouse might be refused relief. The workhouse was sometimes let to a contractor who for an agreed sum undertook to maintain the inmates. The effect of the increased stringency of administration was that the total of the poor-rates was substantially reduced, though "at what expense of suffering we shall never know."²

The nature of the problem changed in the course of the eighteenth century. The industrial developments of the period were bringing about the separation of textile employment from agricultural work and the aggregation of textile workers in towns. The increase of population led to a greater demand for food, and prices rose while wages remained stationary. Employment under the new conditions became less certain, and towards the end of the century distress was widespread among the working classes. The only means of relief open to the destitute poor was, under the Act of 1722, the shelter afforded by a workhouse.

A law known as Gilbert's Act was passed in 1782. Parishes were permitted to combine for the more efficient administration of the Poor Law, and paid guardians of the poor might be appointed by the Justices of the Peace to carry out the work of poor-relief.

¹ Even in such cases as these the overseers used their influence to prevent the fulfilment of conditions which would entitle a new-comer to acquire a settlement.

² Archdeacon Cunningham.

The guardians were expected to find suitable work for the able-bodied, and they were empowered to supplement, if necessary, the wages so earned by grants from the poor-fund. The Justices themselves, as well as the guardians, were authorised to grant outdoor relief. Only the aged, the sick, the infirm, and pauper children might be sent to the workhouse; pauper children might, as an alternative, be boarded out. The Act was only permissive, but it was widely adopted.

Gilbert's Act has been severely criticised, but in some respects it may be commended. The enlargement of the area of administration was a step in the right direction, which was retained in the Act of 1834. The more humane treatment of children suggested in the Act must also meet with approval. But the practical abolition of the workhouse test and the granting of relief in aid of wages were contrary to all sound principles of administration, while the powers conferred by the Act upon Justices of the Peace were too extensive and were liable to abuse.

The distress of the labouring classes continued and became intensified, and in 1795 the Justices of Berkshire met at the Pelican Inn, at Speenhamland, to consider the situation in their own county. They realised the necessity for immediate action, and, after passing a resolution declaring it to be inexpedient to make a general assessment of wages under the Statute of Artificers and exhorting farmers, nevertheless, to increase the wages of their men, they took from them all inducement to do so by resolving to act upon the powers conferred upon them by Gilbert's Act. They decided to grant allowances to supplement the wages of the necessitous poor. The amount of the allowance was to vary with changes in the price of bread and with the size of the labourer's family.

Justices of the Peace were legally empowered to act in this way only in those places where Gilbert's Act had been adopted; a few months later an act was passed by Parliament to extend this power to Justices in every part of the country. The Speenhamland example was followed in most parts of the land,¹ but especially in the south of England, and the allowance system remained the outstanding feature of Poor Law administration for the next forty years.

This was not the only form in which relief was granted during the period. In different parts of the country five different types of relief may be distinguished. (1) The allowance system which has just been described was the most common. The allowance

¹ The allowance system obtained little hold in Northumberland, Cumberland, Lincolnshire, Warwickshire, and Staffordshire.

was supposed to be reduced if the wages of the recipient increased; in practice little notice was taken of variations in earnings. (2) Relief was sometimes granted without labour being required. (3) Well-to-do people employed applicants at wages which depended not on the value of their services but on their needs, the employer being reimbursed to the extent of the difference by the parish authorities. This was known as the "roundsmen" system. (4) Direct employment was occasionally provided by the parish authorities, but this was not usually done. (5) In some parishes agreement was reached among well-to-do ratepayers each to employ a number of paupers at settled rates of wages.

Something can be said in favour of the allowance system, the most general form in which relief was granted. The need for action was instant; the poor were in danger of starvation. There was no time for the establishment of a wise and well-considered scheme for dealing with the question, the more especially as the whole energies of the nation were being directed towards an even more serious problem, the winning of the war against France. The allowance system succeeded in its primary object; the poor were preserved from actual starvation. But in every other respect its effects were bad. Labourers ceased to look upon the receipt of poor-relief as involving a stigma; they regarded it as a right; they entered into early and improvident marriages, secure in the knowledge that their children would be supported by the parish. Wages remained at a low level. Employers saw no reason to increase them, nor workmen to apply for an increase; the effect of a rise in wages, unless it were concealed, would be a reduction in the amount of the allowance, and the worker would not benefit. There was no inducement to a workman to be industrious or to attempt to increase his skill, since no improvement in his circumstances would follow. The pauper was better off than the honest workman who tried to retain his independence.

The administration of poor-relief was in the hands of local officials, some of whom were dishonest; some degree of corruption was inevitable in the distribution of the large sums of money involved. The traditional severity of Poor Law administration entirely disappeared. Applicants experienced no difficulty in securing assent to their claims for relief, and if, as occasionally happened, it was refused by the officials it was usually granted when appeal was made to the Justices. The poor-rate increased; the total amount paid as poor-rate in 1782 was under £2,000,000, in 1817 it was nearly £8,000,000. In some places the burden of the rate was so great that it ceased to be profitable to cultivate the land.

In 1832 a Royal Commission was appointed to inquire into the working of the Poor Law. The report of the Commission drew attention to the abuses which had grown up, the pauperisation of labourers, the abuse of the system by employers, the corruption and incapacity of officials, the carelessness with which outdoor relief was granted by the Justices over the heads of their subordinates, the disadvantageous position of the independent and self-respecting labourer, and the particular abuses associated with the workhouse.

The Poor Law Amendment Act of 1834 was based on the report of the Royal Commission. The future administration of the Poor Law was to be under the direction of a central body of Poor Law Commissioners.¹ Parishes were to be grouped in unions, in each of which a Board of Guardians elected by the ratepayers² was to be set up. The guardians, however, had little independent power, since most of their actions required the assent of the commissioners. The function of the overseers was limited to the collection of the poor-rate. Relief was to be granted through paid relieving officers, who, like other Poor Law officials, could not be dismissed by the guardians without the consent of the commissioners. Officials, therefore, realised that the permanence of their employment depended upon their giving satisfaction to the inspectors of the Poor Law Commissioners rather than to the local guardians, and they could not be induced to deviate from the strict exercise of their functions by the pressure of local interests. The workhouse test, which had been relaxed in 1782, was reimposed. All able-bodied paupers were to be relieved, except in respect of medical attention, only by admission to the workhouse, and outdoor relief was to be confined to persons over sixty years of age and to the sick. The accounts of the guardians were to be subject to audit by officials of the central body.

The results of the Act were far-reaching. The amount expended in poor-relief was substantially reduced during the next

¹ The Poor Law Commissioners were appointed in the first instance for a period of five years. Their existence was extended from year to year until 1842; it was then continued for five years, and in 1847 a permanent Poor Law Board was set up, whose president was to be a responsible minister. The Poor Law Board was replaced by the Local Government Board in 1871, and in place of this the Ministry of Health was established in 1919.

² The election of guardians was arranged on a basis which gave more influence to wealthy persons than to the poor. All owners of land and all ratepayers were entitled to vote. They had from one to six votes, according to the value of the property they owned or occupied. A man who was both owner and occupier of a substantial property might have as many as twelve votes. Justices of the Peace were *ex-officio* guardians.

few years. The suddenness of the change, however, caused a great deal of suffering among the labouring classes. The evil had been deep-rooted and the remedy was drastic, but not too drastic, if the English labouring classes were to be rescued from utter and permanent degradation. In course of time men were compelled to attempt to do honest work if they wished to receive a fair wage, and employers could no longer look to the Poor Law to pay part of their labour costs. The ultimate effect of the change was to re-establish the principle that a man must maintain himself by his own exertions and that, if the community is compelled to assist him on account of his inability to support himself, it is entitled to do so in a way which offers no attraction to the idle.

In another respect the system established by the Act of 1834 was not so satisfactory. By severity of administration it reduced the amount expended in relief, but it did nothing to reduce the amount of poverty, and it failed to recognise any obligation upon the community to provide work for those who needed it and were willing to do it. In course of time there was some relaxation of the rule against the granting of outdoor relief to the able-bodied; this might take the form of food, medicine, or money. Some concession was made to the principle of thrift in 1895, when Boards of Guardians were permitted, in estimating the needs of an applicant for relief, to disregard any income not exceeding five shillings a week from a friendly society; in 1904 they were directed to disregard such income. Some attempt was made during the nineteenth century to deal on more humane lines with pauper children. In some cases children were not retained in the workhouse at all, but were boarded out with suitable foster-parents,¹ and in a few cases special cottage homes were established for them.

By the beginning of the twentieth century it was felt that in many respects Poor Law administration was open to criticism, and in 1905 a Royal Commission was appointed to investigate the question. Its reports were not issued until 1909. The commissioners were not unanimous in the whole of their conclusions, but Majority and Minority reports agreed in their condemnation of the existing system, in their analysis of the causes of pauperism, and in many of their recommendations. Pauperism, in their opinion, was due to a variety of factors, including drunkenness, old age, feeble-mindedness, improvident marriage, casual labour, and the existence of "blind-alley" occupations. Their criticism of the existing system was far-reaching. They considered the

¹ The boarding-out system was regulated by an order of the Local Government Board, issued in 1880.

existing unit of administration—the Union—to be too small, and they pointed out that under this system the poorest districts had the highest poor-rates. They found that the workhouse was not always a deterrent and that the administration of outdoor relief was not accompanied by adequate supervision, and they condemned the retention of children in workhouses. They recommended the abolition of the existing areas and authorities and suggested a transference of Poor Law administration to the councils of counties and county boroughs. They also suggested the more thorough classification of persons who came within the orbit of the Poor Law, with appropriate treatment for each class; some classes could, in their opinion, be more properly dealt with by other than the Poor Law authorities. Children should be cared for in cottage homes or should be boarded out. Vagrants might be segregated in labour colonies and compelled to work under strict discipline. The aged poor should be cared for in separate institutions in which treatment would be more kindly than in workhouses. The conditions under which outdoor relief should be granted were laid down. Finally, it was felt that some of the causes of pauperism might be dealt with by the use of Labour Exchanges, by State Insurance of the workers, and by raising the age at which children might leave school.

Some attempt was made in the years immediately following the publication of the reports to act upon some of their recommendations. Old Age Pensions, State Insurance against sickness and unemployment, and the extension of the system of Labour Exchanges were not ineffective in dealing with particular aspects of the problem of pauperism. For various reasons, however, no general measure of reform was brought forward for some years.¹

The industrial depression which followed the war of 1914-18 again focused attention upon the unsatisfactory state of the Poor Law, and in 1929 a Local Government Act ² was passed by which an entirely new system was inaugurated. The Act endeavoured to give effect to the main recommendations of the Royal Commission of 1905-9. Existing areas and authorities were abolished, and the work of Poor Law administration was transferred to county councils and county borough councils, which were to act through statutory committees to be known as Public Assistance

¹ For the next few years the attention of the political world was centred upon the constitutional struggle with the House of Lords and upon the Irish Home Rule question. Then came the war of 1914-18 and its immediate consequences.

² It came into operation on 1st April, 1930.

Committees. That the new system was a change in the right direction can hardly be doubted. The greater area of the new unit of Poor Law administration resulted in economy and efficiency in working, and it facilitated the classification of paupers and the appropriate treatment of each group, as suggested in the reports. It tended, further, to equalise the incidence of the expense of administration, so that wealthy districts had to bear their due share and poor districts were not overburdened.

But it must never be forgotten that the existence of the Poor Law, even at its best, is an admission of failure. So far as the existing organisation of society fails to make provision for the needs of every one of its members, to that extent it is defective. The history of poor-relief should, therefore, always be considered in relation to other aspects of economic activity. The ultimate aim of statesmen and economists with regard to the Poor Law must be directed towards its extinction.

This may seem to be an ideal impossible of attainment. As already stated, some of the causes of pauperism may be removed by the operation of other agencies than the Poor Law, but there will always be orphan children to be reared, educated, and trained to take their place in the world, and it is likely that there will always be mentally deficient persons to be cared for. Yet, when the social legislation of recent years comes into full operation, attention to be given to these and other classes of people who formerly came under the Poor Law will be accorded to them as of right, and not as from public charity, since it will be provided for by insurance.

The National Assistance Act, 1948, has provided for the discontinuance of the former Poor Law administration and the establishment of a National Assistance Board. The functions of the Board are to provide for the maintenance, training, and welfare of blind persons, the maintenance and treatment of persons suffering from tuberculosis, the training, education, and rehabilitation of vagrants, so that they may become useful members of society, and the provision of homes for old people, who will be accommodated in hostels for a payment which they will be able to meet out of their old age pensions.

CHAPTER XXIX

PUBLIC HEALTH

IN no other respect do conditions of life at the present day contrast more sharply with those of time past than in the health of the people. So much attention is paid to-day to living under hygienic conditions, so marked is the progress of medical science, so vigorous is the supervision maintained by the State and by local authorities over matters affecting the health of the community, that it is now possible to look forward to the time when all diseases will be regarded as not only curable but preventible, and when, apart from accident, the only normal cause of death will be old age. That desirable time may be distant yet, but if the rate of progress which has been maintained during the past century is continued during the next, it will be near.

Until comparatively recent times English people lived under appallingly unhealthy conditions. Men had no knowledge of elementary hygienic rules, medical science was in its infancy, and no serious effort was made by the authorities, local or national, to remedy conditions prejudicial to health.

There was in the Middle Ages no proper water-supply and no adequate system of sanitation, in town or country. Disease of all kinds was prevalent—so much so that men were expected to pray regularly, in the Litany, for deliverance from “plague, pestilence, and famine.” The order of the words is not without significance; sudden death from infectious disease was even more to be feared than shortage of food, itself not a remote contingency. To a modern congregation such evils must seem, and indeed are, remote; in earlier times they were real, and the petition was by no means perfunctory.

Memorial brasses are sometimes to be seen in village churches, with inscriptions such as: “Pray for the soul of —, and of —, his wife; they had nine sons and six daughters, of whom one son and one daughter survived them,” or, occasionally, “all of whom died in infancy.” Amazement, and perhaps some slight degree of amusement, at the size of families in earlier times is quickly followed by a feeling of horror at the thought of such a harvest of death. Such instances are not rare. That families were large is well known; that the death-rate must have kept pace with the rate of birth is evident from the fact that the population increased only

very slowly over a period of several centuries. The rate of infant mortality especially was high, and few of the minority who were fortunate enough to survive childhood lived to old age.

Some slight improvement in the public health is observable in the eighteenth century. Visitations of the plague seem to have ceased, although smallpox and fevers were still prevalent. It has been suggested that the growth of the practice of burying the dead in coffins¹ instead of in shrouds contributed to the improvement.

Country life is usually regarded as healthier than life in towns, and most of the people lived in the country before the Industrial Revolution. The growth of large towns towards the end of the eighteenth century and early in the nineteenth century occurred at a time when building regulations were non-existent. In the factory towns thousands of dwellings were run up on the back-to-back principle. A house touched adjacent houses on three of its four sides. No adequate sanitary provision was made, and it was not considered necessary to install an independent water-supply for each house. (As late as 1850 there were 80,000 houses in London without an independent water-supply.) Such places were ill-ventilated and dirty, and they quickly became foul and verminous. No system of main drainage was established, and the existence of ill-constructed cesspools added to the horrors of town life a century ago. (Cesspools were not abolished in the City of London until 1850, and many more years elapsed before main drainage became universal throughout London.) House refuse was not collected and destroyed; it was deposited in gutters or on waste ground or in odd corners, giving rise, as it decayed, to disease and death. Such water-supply as existed was frequently polluted; water taken from wells or streams in the proximity of cesspools or crowded burial-grounds might be an agency of death rather than of life.

The essentials of improvement were twofold—the provision of an adequate water-supply and the establishment of main drainage. An epidemic of cholera appeared in 1847–8, and public opinion was aroused, by Edwin Chadwick and others, to a realisation of the necessity for action. In 1848 a central Board of Health was established, and it was empowered to set up a local Board of Health “in any city, town, borough, parish, or place” which wished for it or in which the death-rate was high. The duties of these local authorities included the provision of main drainage

¹ Consideration of one of the rubrics to the Burial Service in the Book of Common Prayer indicates that, in 1662, when the book was issued in its present form, it was not contemplated that a dead body should be enclosed in a coffin.

wherever it was needed, the provision of a supply of water, and the cleaning of streets. Progress was slow, partly because the work to be done was so great, partly because of engineering and technical difficulties which had to be overcome, and partly because of friction between central and local authorities.

The central Board of Health was created for a limited period only; it was continued from year to year, but in 1858 it was permitted to expire. During the next few years various acts were passed to deal with specific matters relating to public health, and a Royal Commission was appointed in 1869 to consider the question. In its report it emphasised the necessity for the establishment of a central authority, and in 1871 the Local Government Board was set up.

By the Public Health Act of 1872 the whole country was divided into sanitary districts, urban or rural,¹ thus extending and making general the organisation begun under the Act of 1848. Some powers were conferred on the sanitary authorities, and these were extended and the law on the subject was codified by the Public Health Act of 1875.

The Act of 1875 required each sanitary authority to appoint a medical officer of health, a surveyor, and a sanitary inspector. Powers (and obligations) to deal with a wide range of matters affecting public health were conferred on the authority. It might provide a water-supply for its area, unless this was already being done efficiently by a private company. It was to maintain sewers in good condition. It was required to take measures to deal with cases of infectious disease as they appeared. The making, paving, lighting, and cleaning of streets and the provision of fire-engines were among the duties of the sanitary authority. It was expected to supervise markets and slaughter-houses and it was empowered to provide public baths and wash-houses. It was expected to deal with "nuisances" wherever and whenever they arose, and it was authorised to seize and destroy unsound food. During the next few years the local sanitary inspectors were also given power to inquire into the sanitary condition of workshops.

By the middle of the nineteenth century it was recognised that a large number of people in the great towns lived in houses that were not fit for habitation. In 1851 local authorities were empowered to erect cottages for workmen, but little was done; the Act was, in fact, a dead letter. The Artisans' and Labourers' Dwellings Act of 1868 empowered local authorities to condemn

¹ Some simplification of areas was attempted by the Local Government Acts of 1888 and 1894.

property which was not fit for habitation, and, if the owner failed to effect necessary repairs, to demolish it. This was the first real attempt to deal with the problem of the slums; it proved to be inadequate, mainly because the initiative had to be taken by medical officers who were not in a sufficiently independent position to take strong action. They were employed by, and might be dismissed by, the local authority; ¹ they were, as a rule, not full-time officials but were in private practice as medical men. It is easy to understand that strong action against local property owners might be prejudicial to their personal interests.

The law on the subject of housing was amended, rather than strengthened, by the many acts which were passed during the last seventy or eighty years. In spite of all that was done, much slum property still remained in many of the large towns. Apart from this, there was a real shortage of dwelling accommodation for the working classes, and after the war of 1914-18 this became so acute as to engage the attention of the Government. Subsidies were offered for the encouragement of private building, and local authorities were directed to build houses which might be let to suitable tenants of the working class at rents which might involve the authority in a loss to be met out of the rates. In the course of a few years some hundreds of thousands of houses were erected—but the problem of the slums remained to be dealt with.

Lack of public interest in this evil was due to ignorance of its extent rather than to indifference to its character. As the magnitude and seriousness of the problem became better known public opinion was aroused, and a five-year plan for the elimination of slums was put forward. Unfortunately, the outbreak of war in 1939 necessitated its postponement, and the destruction of houses by enemy air attack during the war intensified the shortage of dwelling accommodation. After the war the Government embarked upon a programme of building which aimed at the provision of a tolerable house for every family in town and country. It is evident that the task is so vast that many years will elapse before its completion.

The establishment, in 1911, of a system of National Insurance against sickness has proved beneficial to the working classes in many ways. Critics of the scheme suggest that it has encouraged malingering, and it cannot be denied that such cases have occurred; some abuses are inevitable in a scheme of such magnitude. But the payments to working men in times of sickness have done

¹ Medical officers of health are now protected from dismissal; they cannot be removed without the consent of the Ministry of Health.

something to mitigate the disastrous consequences of loss of earnings, and the provision of medical attention under the scheme has brought professional skill to the assistance of many people who in former times did without it because they could not afford to pay for it. The scheme provides also, under certain conditions, for additional benefits where they are needed.

The scope of public health activity appears to be continually expanding. For many years attention had been directed to the high rates of infant mortality, and in 1907 an act was passed requiring births to be notified to the local medical officer of health within forty-eight hours of their occurrence. It thus became possible for a health visitor to call upon the parents of the child in order to offer advice and assistance in connection with its rearing. In order that the rate of maternal mortality might be reduced, efforts were made to bring about a more efficient training for midwives; a system of certification of midwives was begun in 1902. Yet another branch of public health activity is the treatment of tuberculosis; county councils and county borough councils have, since 1921, been responsible for the treatment of persons in their areas who suffer from this disease.

In 1919 the Local Government Board was replaced by the Ministry of Health. All the powers of the Local Government Board with respect to health were transferred to the new ministry, as were certain powers of a similar character which had hitherto been exercised by other departments, such as the Board of Education and the Home Office. It was provided that any powers and duties in England and Wales of any Government department which appeared to relate to matters affecting or incidental to the health of the people might be transferred to the Ministry of Health. The effect of the change was to bring all matters relating to public health under the direction of one central authority and thus to prevent the duplication of activities which may have existed before the change was brought about.

In 1946 Parliament passed a National Health Service Act which dealt with the subject in a far more comprehensive way than had hitherto been attempted. The services which were set up were to be available to everybody in England and Wales without charge, the cost being met in varying degrees by contributions under the National Insurance scheme and by grants from local rates and from the Treasury. (A charge to the patient could, however, be made in special circumstances, as, for instance, by reason of the occupancy of a private ward in a hospital, and it remained open to any person who wished to do so to send for a medical man of his

own choice and to pay him, as hitherto.) The health services contemplated by the Act included attendance by medical practitioners (general and specialist), hospital treatment, midwifery, vaccination, optical treatment, and dental treatment. The Act naturally contained many special and technical provisions, and it was recognised that the success of its working would depend upon the establishment of harmonious relations between the Ministry of Health and the medical and dental professions, a matter which was still the subject of discussion at the time of writing.

CHAPTER XXX

THE ENGLISH BANKING SYSTEM

SEVERAL of the cities of Italy were important trading centres in the Middle Ages, and it is not surprising to find that banking was carried on in some of them. Public banks were established at Venice in 1157 and at Genoa in 1345, and Florentine private banks, those of the Bardi, the Peruzzi,¹ and the Medici, were important enough to carry on business in several parts of Europe. The expansion of trade in the sixteenth and seventeenth centuries led to the establishment of banks in other parts of the Continent, notably at Amsterdam in 1609 and at Hamburg in 1619, and by the eighteenth century banks existed in most of the great cities of Europe.

Efforts have been made to trace the history of English banking also back to the Middle Ages. Of banking, as the term is understood to-day,² it cannot be asserted that it existed so far back, though money-lending at usury was practised by the Jews before their expulsion from England in 1290, and in the later Middle Ages the Crown occasionally negotiated loans from wealthy traders and from such corporations as the Hanse merchants and the Merchant Adventurers. But it is difficult to regard such transactions as even a rudimentary form of banking.

Usury was prohibited alike by civil law and canon law in pre-Reformation times. During the Tudor period opinion in England changed on this matter; it was no longer regarded as immoral to accept from a merchant interest on a loan which might be used by the borrower in the course of his business and from which he might make a profit. An act passed in 1545 legalised the exaction of interest, as distinct from usury; the distinction appears to have been treated merely as one of degree. Although this act was reversed in 1552 it was revived in 1571, and an act of 1624 permitted a maximum rate of interest of eight per cent. While the payment of interest was entirely prohibited the practice of banking, as understood in modern times, was impossible; with its legalisation banking was free to develop.

¹ The Bardi and the Peruzzi lent, and lost, money to Edward III and the King of Sicily.

² i.e. the organisation of credit.

Deposit banking ¹—the receipt of deposits with a view to making loans at interest—developed in England in the seventeenth century. Merchants of various kinds might be able to lend money, but as a rule they were able to employ surplus funds more profitably in extending the sphere of their commercial activity than in making loans at interest. Often, indeed, they might be in need of accommodation rather than in a position to grant it. The goldsmiths differed from other merchants in this respect. The demand for their wares was limited; at some times, such as the Great Rebellion, nobles were melting plate rather than purchasing it. The goldsmiths, therefore, were not always able to extend their concerns by applying additional capital to them, and they were ready to lend money at interest. From the time of Henry VIII they had acted as money-changers, dealing for the convenience of other merchants in the currencies of various countries. In the time of Charles I they began to receive sums of money from their customers for safe keeping, on promise of repayment on demand; this practice developed considerably during the troubled time of the Great Rebellion.

The goldsmiths soon realised that it was unlikely that repayment of the whole of the money deposited with them would be required at any one time, and they found it possible to lend out part at interest, reserving only sufficient to meet all probable demands. They issued notes payable on demand, and when confidence in their willingness and ability to honour these notes was fully established they were able to extend their issues; they thus had at their disposal a good deal of additional currency of this kind. They attracted deposits by the offer of interest, and in course of time they advanced money to the Crown. Charles II, in 1672, suspended repayments due from the Exchequer to the goldsmiths, and undertook merely to pay interest on his debts to them.² This royal action placed the goldsmiths in difficulties; they were unable to meet the claims of their depositors, and a serious financial crisis followed. But the system which they had established survived.

¹ At the present day banks are classified as banks of deposit and banks of issue. The former receive money on deposit (sometimes paying interest), which is repayable either on demand or after notice. They retain a part of this to meet probable calls, and with the rest they discount bills or make loans on security. A bank of issue is one which issues notes payable on demand. It is supposed to maintain a gold reserve sufficient to meet all probable calls. The notes are available for discounting bills and making loans on security, and the quantity of notes issued in excess of the amount of the reserve provides an increase in the amount of money available for these purposes. The Bank of England is now the only bank of issue in England.

² The amount involved was £1,328,000.

The financial operations of the goldsmiths were entirely unregulated and uncontrolled by the Government, a state of affairs which was inconsistent with the spirit of the times. Criticism was directed against the goldsmiths. They were offering as much as six per cent interest to depositors; they could make profits only by lending at rates still higher.¹ But high interest could be obtained only when security was uncertain, and banking conducted on these lines could not be sound. It was contended by the critics of the goldsmiths that banking ought to be in the hands of a chartered institution which would control larger resources and command more general confidence. The rate of interest which would be asked by such an establishment would be lower than was demanded by the goldsmiths, and more abundant credit would be available for purposes of trade.

The Bank of England was founded in 1694 on lines suggested by a Scotsman, William Paterson. The company then formed undertook to lend to the Government the sum of £1,200,000; interest at eight per cent was to be paid on the money, and a sum of £4,000 per annum was to be paid for the expenses of management. The company was chartered to carry on the business of banking, i.e. to issue notes, to discount bills, to make loans on security, and to receive deposits.

The Bank issued notes to the amount of its loan to the Government. From time to time it assisted in the raising of further loans, and in 1696 it co-operated with the Government in the recoinage of silver money. The temporary shortage of currency afforded to the goldsmiths an opportunity of organising a run on the Bank. They bought up large quantities of its notes and presented them for payment. The Bank had not sufficient cash to meet the demand. It attempted to distinguish bona fide claims for payment from those which were being made merely in order to cause difficulty, and it paid fifteen per cent of the amounts due on the former and postponed payment of the latter until supplies of coin had been received from the mint. Within a few weeks it had surmounted the crisis.

The charter of the Bank of England was granted for a limited period only, and it was renewed periodically. The directors of the Bank were always careful to negotiate in good time for the extension of the charter, and on some occasions they were able to take advantage of the necessities of the Government to extort new

¹ The maximum rate of interest allowed by law was in 1652 reduced to six per cent.

concessions. In return for these advantages and for the prolongation of its charter it made gifts and additional loans to the Government.

In 1708 it was enacted that no other bank with more than six partners should be established with the privilege of issuing notes. The Bank of England was thus given a monopoly of joint-stock banking, for, though other joint-stock companies might carry on the business of deposit banking, the issue of notes was regarded as so essential to banking in general that no such bank was formed until after the relaxation of the rule in 1826. For nearly a century and a quarter after 1708 the only competitors of the Bank of England were the private bankers—the goldsmiths and their successors. Its strength and reputation increased, and from 1751 it was entrusted with the full management of the National Debt.

It is not to be supposed that the monopoly of joint-stock banking thus conferred upon the Bank of England was altogether to the advantage of banking development in this country. It retarded the transition from private to joint-stock banking for nearly a century and a quarter, and it is probable that if the Bank of England had been faced with the competition of other joint-stock institutions it would have been more active in the extension of banking facilities to provincial towns by establishing its branches in them.

Yet the system thus set up was not inadequate for the needs of the country before the Industrial Revolution. Banking business was mainly confined to London before 1750, though a few country banks had been established. During the second half of the eighteenth century there was, concurrently with the industrial expansion of the period, an increase in banking in all parts of the country. If joint-stock banking had been legal at this time, the banking development of the period would have proceeded upon sounder lines. Some of the private banks of the period were well managed, and deserved confidence, but much of the banking business of the time was in the hands of men of inferior status and limited resources.

The issue of notes was still regarded as a vital feature of the business of banking. Many tradesmen in a small way of business combined banking with their other activities by putting into circulation notes payable on demand. While the credit of the issuing "banker" was good and his notes circulated freely, no great harm was done. But if at any time doubt should arise about his solvency his notes would be presented for payment, and his failure to honour them would result in loss and ruin for many people. Even soundly managed private banks had sometimes to meet runs, and

not infrequently, through inability to realise their securities rapidly and without heavy loss, they were compelled to suspend payment. The devising of a satisfactory method of regulating note issues became one of the major problems of early nineteenth-century banking.

Between 1793 and 1825 several financial crises occurred, and each of these occasions was marked by the failure of a number of country banks. In 1797 fear of a French invasion brought about a run on the Bank of England, and the gold reserve of that institution was so seriously threatened that the Government authorised it to discontinue payment of its notes. For more than twenty years Bank of England notes ceased to be convertible into gold. They continued to circulate freely (in the expectation that cash payments would ultimately be resumed), and for some years they were subject to very little depreciation in value. Towards the end of the Napoleonic War their value fell substantially, and at one time a five-pound note was worth no more than £3 11s. in gold. The desirability of the Bank resuming cash payments was considered in 1810 by a committee of the House of Commons; no action was taken at that time, but in 1819 another committee, presided over by Sir Robert Peel, decided that the resumption ought to be delayed no longer. By 1821 the normal honouring of notes in gold was in full working order.

After the return of peace in 1815 a strong movement sprang up in favour of the legalisation of joint-stock banking. Its advocates contended that the evils of the existing system were due to the bad management of many of the private banks, to rash speculations by bankers, and to the granting of loans on inadequate security. It was felt that the directors of joint-stock concerns, men who would be responsible to their shareholders for the policy they pursued, would be less likely to fall into these errors. In 1823 the Government negotiated with the Bank of England on the matter, offering to extend its charter until 1843 if the Bank would consent to a limitation of its monopoly to London and the surrounding country within a radius of sixty-five miles, so that other joint-stock banks might be established in provincial towns beyond that limit. No immediate action was taken, and another financial crisis occurred in 1825. In 1824 trade had been flourishing; there was a good deal of speculation and over-confidence, notes were issued to excess, and a collapse followed. In six weeks over seventy banks failed. Action could be delayed no longer.

The Bank of England was offered the choice between the active exercise of the powers enjoyed under its monopoly, by opening

branches all over the country, and the surrender of its privileges beyond the sixty-five-mile limit suggested in 1823. It chose the latter course without altogether renouncing the former, and in 1826 an act was passed which authorised the establishment of joint-stock banks, with the power of issuing notes, in any place more than sixty-five miles from London. The Bank's monopoly was thus limited to the region within the prescribed circle, but it was not prevented from doing business beyond it; during the next few years it established branches in a number of provincial towns, thus competing with the newly authorised banks. In order that a substantial amount of gold might remain in circulation, the issue of notes of smaller denomination than five pounds was forbidden.

The Act of 1826 did not seriously affect the monopolistic position of the Bank of England, since the financial business of the country centred upon London. It could not be regarded as a final and satisfactory solution of the problem of the relationship of other banks to the Bank of England, and another act was passed in 1833. Joint-stock banks were permitted to transact business in London or elsewhere within the sixty-five-mile limit, provided that they did not issue notes. They were even permitted to issue notes payable at their London offices or at those of their London agents, provided that the office of issue was beyond the limit. By the same act the notes of the Bank of England were made legal tender, except in that part of the premises of the Bank which was set apart for their redemption; this proviso was included merely to prevent the Bank from redeeming its notes by issuing others. Country banks of issue could, however, redeem their own notes with Bank of England notes.

The passing of this act was followed by the formation of several important banks. The London and Westminster Bank was founded in 1834, the London Joint-Stock Bank in 1836, the Union Bank and the London and County Bank in 1839. These and similar institutions had some difficulty in making their position good in the banking world. They were faced with the hostility of the Bank of England and of the existing privately owned banks, and they were at first refused admission to the Clearing House.¹ They suffered from the legal disability of being unable to sue or be sued, a restriction which was not removed until 1838, and they were unable to issue notes. This limitation of their activities led them to rely on the deposit side of banking and to encourage their customers to make full use of the cheque system, which has since become a prominent feature of banking.

¹ Joint-stock banks were admitted to the Clearing House in 1854.

The problem of controlling the volume of the issue of notes remained unsolved. Controversy on the subject dated back at least to the Commons Committee of 1810. Two schools of thought developed on the subject. The currency school held that notes ought not to be issued to a greater amount than could be converted into gold. Financiers who supported this view feared that, if bullion were exported in consequence of an unfavourable state of the exchanges, notes might be issued to fill the void in the currency unless rigid restriction was maintained by permitting only notes with a gold backing to circulate. The banking school considered that there was no over-issue so long as notes were convertible. This was obviously a truism; to the objection that banks had, in fact, sometimes issued notes which they had been unable subsequently to redeem, the reply was made that the amount of issue should be determined by the legitimate requirements of trade. This, however, the banking school was unable to define with precision. It is evident that safety and caution, qualities which are of great importance in banking, lay with the currency theorists rather than with their opponents, and their views prevailed with Sir Robert Peel.

The Bank Charter Act of 1844 was passed to settle the principles on which the issue of bank notes should depend in future, to provide for greater security in their redemption, and to limit the issue of notes by banks other than the Bank of England. The Bank of England was to be divided into two departments—the Issue Department and the Banking Department. The latter was confined to ordinary banking business; the former was concerned with the issue of notes. The Bank was permitted to issue notes to the value of £14,000,000 on securities to this amount being placed in the Issue Department; these securities were to include the Government debt of £11,015,100. Any notes in excess of £14,000,000 were to be issued only when an equivalent amount of bullion was placed in the reserve.¹ Any person might demand notes from the Issue Department in exchange for bullion at the rate of £3 17s. 9d. per ounce of 22-carat gold.² Specie or bullion received in the Banking Department in excess of immediate

¹ The Bank might cover its issue in excess of £14,000,000 by either gold or silver bullion, provided that the amount of silver bullion did not exceed twenty per cent of the total metallic reserve. It has not availed itself of this right since 1853. (In recent years a certain amount of silver coin has formed part of the "securities" required by law to be held as cover for the fiduciary issue.)

² The Bank was entitled to require an assay of the metal at the expense of the person tendering it.

requirements was to be transferred to the Issue Department in exchange for notes. Normally, therefore, the Banking Department would pay out to its customers notes and not gold (except for odd amounts and small sums); those who wanted gold would obtain it in exchange for notes in the Issue Department. Every week a statement indicating the value of notes in circulation and the amount of gold in reserve was to be published by the Bank.¹

No other bank in London possessed the privilege of issuing notes, but a considerable number of country banks were entitled to do so. This right was continued to them,² but they were not at any time to have in circulation an amount of notes exceeding the average amount of issue for the twelve weeks ending 27th April, 1844. The privilege of issue was to lapse if the country bank amalgamated with any other bank, or opened an office in London, or became bankrupt, or suspended its issue of notes. The amount of such issues authorised by the Act of 1844 was approximately £8,600,000, and it was provided that whenever a country bank ceased to circulate notes the Bank of England might increase its fiduciary issue (against securities and not against bullion) by an amount not exceeding two-thirds of the lapsed issue.

No new bank and no amalgamation of existing banks was to possess the right of issue; it was clearly the intention of the framers of the Act to limit and discourage the country issue, with a view to its ultimate extinction. This end was achieved in 1921,³ with the result that the Bank of England was then entitled to circulate notes to the total value of £19,750,000 with a backing of securities.

After 1844 it became impossible to increase the amount of currency in the country by the printing of bank notes, since for every note issued beyond the fiduciary limit imposed by the Act an equivalent amount of gold had to be stored in the vaults of the

¹ The following, which was published on Thursday, 13th May, 1920, is a typical Bank return of the period following the war of 1914-18:

ISSUE DEPARTMENT, 12th May, 1920

Notes issued	£130,442,245	Government debt	£ 11,015,100
		Other securities	7,434,900
		Gold coin and bullion	111,992,245
		Silver coin and bullion	—

£130,442,245

£130,442,245

² About 280 banks retained the privilege of issuing notes.

³ The last of the private banks of issue—Fox, Fowler & Co. Ltd., of Wellington, Somersetshire—amalgamated with Lloyds Bank in 1921 and so lost its privilege.

Bank. The country had to choose between resigning itself to an inelastic currency and devising some means of expansion other than the issue of bank notes. The problem was solved by the extensive use of cheques,¹ and it is probable that the increase in the importance of cheques as compared with notes in the making of large payments accounts for the readiness with which country banks of issue allowed their privileges to lapse.

It was expected that the Act of 1844 would render impossible a repetition of the serious financial crises which had occurred from time to time in the earlier part of the century. It did not altogether achieve this, and on three occasions, in 1847, 1857, and 1866, it was found necessary to suspend the working of the Act by sanctioning a temporary increase in the fiduciary issue of notes. Except in 1857, the mere announcement of the authorisation was found to be sufficient, and the Bank did not make use of the powers granted to it. After 1866, no similar crisis arose until 1914.

The position in the financial world occupied by the Bank of England in more recent times has not been merely that which was contemplated by the framers of the Act of 1844. It has become what is known as a central bank. It possesses a monopoly of the issue of notes, it manages the National Debt, and it is frequently concerned in the stock issues of local authorities and of Dominion and colonial governments. It is closely associated with the British Government, which it is able to advise on matters of financial policy. It is a bankers' bank, and other banks deposit the bulk of their reserves with it; the concentration of these reserves with the Bank of England adds to the stability of the English financial system.

Joint-stock banking companies established under the Acts of 1826 and 1833 were set up before the principle of limited liability was authorised. The shareholders in such institutions were like the partners in a partnership firm in that they were individually liable to the full extent of their possessions for the debts of the company to which they belonged. Technically, the Act of 1826 merely removed the limitation (of six) which had been imposed by the Act of 1708 on the number of partners in a banking firm. When, in 1855, the principle of limited liability was recognised by law, companies could be formed the shareholders of which were not personally liable for any sums beyond the amount of the fully

¹ The cheque system was known in the seventeenth century, and was in fairly extensive use by the end of the eighteenth century. The use of cheques in the nineteenth century provided an alternative paper currency of unlimited extent, a fact which partly accounts for the crises mentioned in the text.

paid shares which they held. This did not at first apply to banking companies, but it was extended to them in 1858.

The application of the principle of limited liability to joint-stock banking enabled larger concerns, with many branches, to be set up. In most towns branches of large banks competed with the remaining private banks, and the elimination of the latter was only a matter of time. The large bank had greater resources and greater prestige than the private bank; it enjoyed greater confidence, since it was hardly troubled by financial storms which would be of sufficient severity to cause smaller institutions to founder. In course of time most of the private banks were absorbed by joint-stock banks, of which they became branches.

Since the beginning of the twentieth century the tendency towards the amalgamation of banks has continued. The great bulk of the banking business of the country is now conducted by the Bank of England and five other institutions: Barclays, Lloyds, the Midland, the Westminster, and the National Provincial. Of the remaining banks some are small and of only local repute; others, such as Williams Deacon's Bank, are of considerable importance. But the "Big Five," each of which has come into existence through the amalgamation of many smaller banks, outweigh all others in importance, and through their branches they transact business in all parts of the country. They also have offices or agencies in many foreign countries and British Dominions.

The banking business of the country could not easily be carried on without a clearing system. In the latter part of the eighteenth century the clerks of various banks used to meet in Change Alley for the purpose of exchanging cheques; only balances were settled in gold. As early as 1775 a room was hired in which this business could be transacted, and in the nineteenth century the Clearing House which developed from these rudimentary beginnings became important, and, indeed, essential. Clearing business¹ is now so complex that it is organised in four sections. The Town clearing concerns only banks within a short distance of the Clearing House in London. The Metropolitan clearing accounts for cheques drawn on branches within a certain radius of the City. The Country clearing deals with cheques drawn on London banks from places farther afield. Provincial clearings exist in large towns to deal with local business.

¹ There are now eleven clearing banks. Membership of the Clearing House is enjoyed by the Big Five and by Martins, Coutts, Glyn Mills, National, District, and Williams Deacon's. Other banks have to act through the agency of one or other of the clearing banks.

The currency system of this country was profoundly modified in consequence of the conditions which were set up by the outbreak of the European War in 1914. A serious run upon the banks was to be feared, and in any case the financial transactions which would be necessary in time of war were likely to be of such magnitude that the existing currency would be inadequate to meet the situation, so that a new form of currency had to be devised. By the Currency and Bank Notes Act,¹ passed in August, 1914, currency notes, commonly known as Treasury notes, of the face value of one pound and ten shillings were to be issued and were to be legal tender to any amount. They were not bank notes, but they served many of the purposes of an issue of bank notes. They were accepted readily by the public, perhaps because they were convertible into gold at the Bank of England. (This convertibility was of no real use, however, since the export of gold coin and bullion and the melting down of gold coin, by private persons, was forbidden.) As the gold in circulation found its way to the banks it was not reissued to the public but found its way to the Bank of England, whose reserve was very substantially increased in this way. This concentration of the nation's stock of gold at the Bank of England added to the stability of the financial system. The Act of 1914 laid down no specific rule as to the amount of gold cover to be provided for Treasury notes. The quantity of notes in circulation varied from time to time, ultimately amounting, on 1st January, 1921, to £367,626,000. The cover provided for this large sum amounted to between fifteen and twenty per cent of the total.

During the war there was a strong tendency for the exchanges² to move against Great Britain, since the factors (shipping and financial services, and the export of coal and manufactured goods) which in normal times maintained the exchanges at parity operated

¹ The Currency and Bank Notes Act established a "Currency Note Account" for the issue of one-pound notes and ten-shilling notes. A batch of such notes to the value of £56,250,000 was issued to the Bank of England in exchange for bank-notes, and a further batch to the value of £5,250,000 in exchange for silver coin. These bank notes (which were of course convertible into gold) and this silver coin were held as cover, so that the issue of currency notes was covered by gold and silver coin to the extent of £61,500,000, while the issue in excess of this amount was fiduciary. The whole of the notes were deposited by the Treasury with the Bank of England, which credited the "Account" with them. As the Government was entitled to spend the money in the "Account" it became a fund, capable of expansion to any extent, from which the State could draw money without having to pay interest.

² For a fuller account of the working of the foreign exchanges the reader is referred to appropriate textbooks on the subject.

with reduced effect, while on the other hand the volume of imports was reinforced by large quantities of war material from neutral countries, and especially from the United States. For some years the American exchange was "pegged" at 4·76½ dollars to the pound sterling, but this course was made possible only by the negotiation of substantial loans in the United States and by the sale in America of American securities held in Great Britain. After the war it was decided to permit the American exchange to find its own level, and in the course of two or three years it fell steadily, until at length a pound sterling would purchase no more than 3·22 dollars.

Meanwhile, the British Government in 1919 decided to embark upon a policy of deflation of the paper currency. A Treasury minute of 15th December, 1919, declared that in future the maximum fiduciary issue of currency notes in any year would not exceed the actual fiduciary issue of the previous year. If in any year the actual issue was less than the maximum permissible for that year, the maximum for the following year was to be reduced; it was thus possible for the issue to be reduced year by year, but no further increase was possible. It must be observed, however, that this was merely a declaration of policy, and not a legal requirement. In four years (1920-4) the amount of currency notes in circulation was reduced by over £70,000,000, notes to this amount being withdrawn and destroyed.

One effect of this steady and continuous policy of deflation was that the American exchange improved, and in January, 1924, the pound recovered its pre-war parity with the dollar. Its strength was maintained, and the question of removing the prohibition of the export of gold, and the consequent restoration of the gold standard, came to the front.

The problem may be briefly stated as follows. While the pound sterling had been depreciated in relation to foreign currencies British merchants had had to pay more for the commodities which they imported than when it stood at par. Food and raw materials received from abroad would, therefore, cost less if the exchange-rate was maintained at its pre-war level. This would follow automatically if the export of gold were permitted, since any adverse tendency in the movements of the exchange-rate would be corrected and balanced by an export of gold. But if the adverse tendency should again at any time be pronounced and prolonged, the drain of gold would be heavy, and would be detrimental to the financial stability of the country. Further, gold could be obtained from the Bank's reserve for purposes of export

only by the surrender of bank-notes, and if bank-notes (and possibly Treasury notes also) were to be again made convertible into gold upon demand there was a likelihood of substantial amounts being withdrawn from the Bank's reserve and finding their way into general circulation. The problem was to steer between the Scylla of inconvertibility and the Charybdis of depleted reserve.

By the Gold Standard Act of 1925 the withdrawal of gold, in the form of bars, for the purposes of export, in exchange for notes, was permitted provided that the minimum quantity taken at any one time was four hundred ounces troy of pure gold. The price per ounce was to correspond to 113 grains of pure gold to one pound sterling. The minimum value of each transaction was thus about £1,700. It followed from this arrangement that, while gold was available for export in order to maintain the parity of the pound sterling in international transactions, bank-notes and Treasury notes circulating in England remained in practice inconvertible.

Although it contributed to the financial prestige of the country, events proved that the return to the gold standard at the pre-war parity was premature, since for various reasons the pound sterling remained over-valued in comparison with the dollar. This over-valuation seriously handicapped the export trades, while the volume of imports was stimulated, and as a consequence the problem of unemployment was greatly aggravated. The question is complex, and many factors are involved in it, but there seems no ground for disputing the contention that the maintenance of the pre-war parity of the pound sterling contributed to economic depression, and that industrial and commercial prosperity was sacrificed in an attempt to obtain financial stability. Even this financial stability could not be maintained, and, at a time of world-wide economic depression, the gold standard was abandoned in September, 1931. The export of gold for the purpose of maintaining the value of the pound sterling ceased, while the paper currency of the country remained inconvertible.

By the Currency and Bank Notes Act of 1928 it was decided that the issue of currency notes should be discontinued and that bank notes of similar denomination should be substituted for them. The Bank of England was authorised to issue the necessary notes¹ and so again became responsible for the whole of the paper

¹ Bank notes of the denominations of one pound and of ten shillings differ from five-pound notes (and those of higher denominations than five pounds) in that they are legal tender at the redemption counter of the Bank of England; the Bank can redeem its five-pound notes by paying out one-pound notes. Although one-pound notes are in form promises to pay, there is no medium in which they can be paid.

currency of the country. The cover held in the "Account" was transferred to the Bank, which was authorised to increase its fiduciary issue by an amount equal to the outstanding fiduciary issue of currency notes. The limit of the fiduciary issue in future was to be £260,000,000. This amount was decided upon by adding £245,000,000, the amount of the fiduciary issue of currency notes in 1928 (under the Treasury minute of 15th December, 1919, referred to above), to the £19,750,000 of fiduciary issue already permitted to the Bank, and deducting about £5,000,000 as representing notes withdrawn from circulation by reason of the separation of the Irish Free State from Great Britain; the round figure of £260,000,000 was thus obtained. For all notes beyond this amount the Bank was required to retain a gold backing,¹ although with the consent of the Government the limit of fiduciary issue might be varied either upward or downward.

In order to minimise the extent of fluctuations of the foreign exchanges an Exchange Equalisation Fund was established in 1932, consisting of a capital sum of £150,000,000. The function of the Fund was limited to the smoothing out of temporary fluctuations; it was not expected to undertake the task of dealing with larger movements. "It sells sterling to meet a passing demand such as is occasioned by an influx of funds into London, and sells foreign currency (e.g., francs and dollars) whenever there is a sudden outflow of funds from London." The amount of the Fund was increased to £350,000,000 in 1933, and to £550,000,000 in 1937, and a statement of its position was issued every six months. In 1938 the Fund suffered heavy losses (the exchanges moving against this country, and gold being withdrawn in order to maintain the value of the pound sterling), and at the beginning of 1939 it was strengthened by the addition of £200,000,000 in gold from the reserve of the Bank of England. At the outbreak of war in September, 1939, the whole of the gold reserve in the Issue Department of the Bank of England was transferred to the Fund. From this time movements in the exchanges were no longer

¹ The following, which was published on Thursday, 8th June, 1933, is a typical Bank return of the thirties:

ISSUE DEPARTMENT, 7th June, 1933

Notes in circulation	£378,462,948	Government debt	£ 11,015,100
Notes in Banking Dept.	68,185,736	Other Govt. securities	243,586,139
		Other securities	1,751,439
		Silver coin	3,647,322
		Gold coin and bullion	186,648,684
	<hr/> £446,648,684		<hr/> £446,648,684

reflected in the state of the Bank's reserve, as had been the case before the establishment of the Exchange Equalisation Fund.

The withdrawal of £200,000,000 in gold in January, 1939, reduced the reserve of the Bank from £326,000,000 to £126,000,000 and it was authorised to increase its fiduciary issue of notes from £230,000,000 (at which it stood on 31st December, 1938) to £400,000,000. But the gold bullion in the Bank was still being valued at 84s. 11d. per fine ounce, which was much below the market price. Early in 1939 a Currency and Bank Notes Act empowered the Bank and the Treasury to value the gold in the reserve at a price approximating to that prevailing in the market, and on 1st March, 1939, it was valued at 148s. 5d. per fine ounce. The value of the reserve was thus written up from £126,000,000 to £226,000,000, and, consequently, the authorised fiduciary issue was reduced from £400,000,000 to £300,000,000.

After the transfer, in September, 1939, of the Bank's gold reserve to the Exchange Equalisation Fund the Bank held only a nominal amount of gold, and an increase of the fiduciary issue corresponding to the amount of the transfer was authorised; it was raised from £300,000,000 to £580,000,000. The magnitude of war expenditure during the next few years called for increases in the amount of currency available, and the fiduciary issue was augmented (usually by amounts of £50,000,000) every few months, until in December, 1947, it stood at £1,450,000,000.¹ In the early weeks of 1948 it was reduced by three amounts of £50,000,000, and in March, 1948, it stood at £1,300,000,000.

It is obvious from what has been written that the connection between the Bank of England and the Treasury had long been very close, and early in 1946 the Bank was formally "nationalised"; it became a state institution. The relations between the Bank and the Treasury were little affected by the change; it would probably be true to state that there was no change at all in normal

¹ The following, which was published on Thursday, 21st August, 1947, is a typical Bank return of the period following the war of 1939-45:

ISSUE DEPARTMENT, 20th August, 1947

Notes in circulation	£1,399,417,393	Government debt	£ 11,015,100
Notes in Banking Dept.	50,830,440	Other Govt. securities	1,438,371,403
		Other securities	605,274
		Coin other than gold	coin 8,223
		Fiduciary issue	1,450,000,000
		Gold coin and bullion	247,833
	<u>£1,450,247,833</u>		<u>£1,450,247,833</u>

The gold bullion was valued at 172s. 3d. per fine ounce.

working. In the words of Lord Catto, Governor of the Bank, the Bank of England Nationalisation Act gave "statutory authority to what has long existed by custom and tradition."

NOTE. From January, 1947, the silver coinage of Great Britain was gradually withdrawn, and a coinage of cupro-nickel (75% copper with 25% nickel) was substituted for it. The new coins were to be of the same denomination, weight, and size as those they replaced. The process of substitution could take place only slowly, and it was expected that for some years both types of coinage would circulate together. It may be observed that whereas the war of 1914-18 was accompanied by the withdrawal of the gold coinage of the country the war of 1939-45 was followed by the loss of its silver coinage.

CHAPTER XXXI

GENERAL PRICE MOVEMENTS

[Before an attempt is made to deal with the history of price variations in England some consideration must be given to the theoretical aspect of the subject of prices. It is impossible in this work to do more than refer to its chief principles, and for fuller treatment of the theory of general prices the reader is advised to consult suitable works on the principles of Economics.

In the first place the reader should remember that not the least effect of the war of 1914-18 was its effect on the money systems of the world—the violent fluctuations in price movements due to depreciating and appreciating currencies, the return to and the departure from the gold standard, the altered position of debtor and creditor nations as the result of war debts and reparations, and the inadequacy of pre-war monetary theory to explain these changed conditions. Though, as we shall see, prices rose and fell during the nineteenth century, that period might almost be regarded as one of stability compared with the post-war period with its rapid and extensive changes, and the explanation of its price movements is fairly simple.

From 1816 to 1914 the monetary system of Great Britain was based upon gold.¹ The currency took many forms; gold coins,² bank notes, cheques, drafts, and bills of exchange were all used in the making of payments. But all the forms of paper money were related to gold, and it was assumed that they could be exchanged for gold.³ If the holders of all these pieces of paper had, on the same day, demanded gold for their notes and cheques and bills, there would not have been enough gold in the reserve of the Bank of England to meet the obligations of the banks. So complete a demand for gold was never made; if there had been indications of even the beginning of such a run on the banks, the Bank of England could, and would, have taken measures to "protect its reserve." Nevertheless, since occasionally the holders of paper currency might demand gold, it was necessary for the Bank to retain in its reserve sufficient gold to meet such requirements, and a ratio had to be maintained between the amount of gold in reserve and the amount of paper currency in circulation. If the amount of gold in the reserve was increased, the paper currency might be allowed to expand; if the reserve was reduced, it was necessary for the paper currency to be restricted. From this it followed that the amount of currency in circulation depended upon the amount of gold in circulation or in reserve.

The price of an article is the expression of the ratio between its value and that of a known quantity of gold. In Great Britain this known quantity of gold was, in the nineteenth century, the sovereign. This was a piece of twenty-two carat gold weighing a little over a quarter of an ounce troy. To state that the price of an article was £1 was to assert that the ratio between the value of the article and the value of the known quantity of gold was one of equality. The general level of prices is the result of the ratio between the whole amount of currency in circulation and the whole amount of goods and services available for exchange.

¹ In some countries the currency is based upon silver. In time past some governments have tried to maintain a bimetallist system—a currency based on gold and silver.

² Silver and bronze coins are merely "token" coinage; they are used only for small payments, and are legal tender to only limited amounts.

³ At the time of writing this book Great Britain is "off the gold standard." It possesses an inconvertible paper currency which cannot be exchanged for gold.

Since price is not absolute, but is the expression of the ratio between two terms, it is clear that variations in price may be caused by a change in the value of either of the terms of the ratio. An increase in the volume of production, or a diminution in the amount of currency in circulation, may cause a fall in prices, and vice versa.

It never happens that all prices change at the same time and at the same rate. There are frequent, almost daily, fluctuations in the prices of some articles. Such changes may be due to special or temporary causes associated with the commodities in question. An abundant harvest may lead to a fall in the price of wheat, and so of bread; at the same time an outbreak of cattle disease in some part of the world may bring about an advance in the price of beef. A change of fashion, such as the use of artificial silk in place of cotton, may cause a change in the prices of these commodities. The general level of prices is not materially affected by such circumstances, which concern only particular articles.

Apart from these special variations, the general range of prices tends to vary, moving sometimes upwards, sometimes downwards. Even then it is not found that all prices move uniformly. In a time of rising prices some rise faster than others, and a few articles may even fall in price; when general prices fall, some fall more quickly than others while a few may not fall at all. A variation in the general range of prices may, in spite of particular exceptions, be regarded as due to a change in the value of money (and, if the currency is based on gold, as was formerly the case, this implies a change in the value of gold).

These conclusions with regard to general price movements may be summarised by asserting that prices are determined by the ratio between the supply of and the demand for money. The supply of money is the currency in circulation (the quantity of which formerly depended on the amount of gold in circulation or in reserve); the demand for money is represented by the quantity of goods and services available for sale. The general truth of the theory is hardly open to question, subject, however, to the reservation that certain other factors remain unchanged. The rapidity of the circulation of money must be taken into account; an increase in rapidity of circulation has the same effect as an increase in amount. The size of the population is another factor; an increase in the number of the people, not accompanied by a proportionate increase in the volume of currency, has the same effect as a diminution in the amount of money in circulation, since the average amount per person is less. Density of population is also to be reckoned with; a change in the ratio of urban to rural population may affect prices, since money is spent more readily in town than in country.

Much of the importance of the study of the history of prices lies in a consideration of the effects of changes in the general level. Some of these effects may be referred to here; their particular application in different periods will be dealt with in due course. The first consideration is the injustice or the unfairness which is attendant upon a change of price level. Money fulfils several functions; among them, it is a store of value. If a man by his labour earns one hundred pounds he is entitled to receive from society, in return for his efforts, goods or services or both to the value of one hundred pounds. He may not wish to make use of these goods or services at once; perhaps he intends to reserve them for his old age. But the value of money may change in course of time; the general level of prices may rise, or it may fall. In the former case he will receive less than he is morally entitled to; in the latter case, more.¹ In neither case is exact justice done. Either he, or society in general,

¹ As is pointed out elsewhere in this chapter, the real burden of the National Debt was much heavier in 1938 than it was in 1920, when prices were higher.

suffers some degree of wrong. In an ideally constituted society there would be no variations in prices.

If a rise or fall in the general level of prices were absolutely uniform, no serious effects would be felt. If, by some miracle, all prices, wages, debts, were doubled at one stroke, nobody would be either better off or worse off. But this never happens. Some prices rise farther and more quickly than others. Wages generally rise more slowly than prices, and, conversely, they often fall more slowly than prices.¹ In general, it may be stated that rising prices are beneficial to people who have to meet fixed charges such as rents,² or interest on standing mortgages, but are detrimental to wage-earners (for the reason stated above), to professional men whose fees are fixed by custom, and to people whose incomes are derived from securities bearing fixed rates of interest. Falling prices have the reverse effect on these classes.

Rising prices are regarded as advantageous to industry. They encourage feelings of optimism; new enterprises and new channels of trade are readily entered upon. In industries already established, a manufacturer may, in the management of his business, form an estimate of his expenses for raw materials, labour, and overhead costs for a definite period, and of his receipts from the sale of his products during the period. The difference between the two amounts represents his anticipated profit. In a time of rising prices there may be some advance during the period for which the estimate is framed; the materials will have been purchased during the prevalence of one scale of prices, and the product will be sold when a higher range has come into existence. An additional profit, above and beyond that of the estimate, will be made. Such a state of affairs encourages the manufacturer to produce as much as possible; he will run his machinery full time, he will employ as many men as possible, and perhaps will pay them for overtime. He will produce not only for the immediate demand but for stock, since, if the rise in prices continues, he will receive even better prices for his stock in a year or two, and this will more than recoup him for the interest on his overdraft at the bank. Employment will be abundant, a circumstance which may to some extent compensate the workers for the temporary disadvantage at which they are placed by prices rising faster than wages. It is, in fact, this increase in the demand for labour which ultimately brings about a rise in wages which will assist the workman to recover part of what he has lost by the advance in prices.

The converse of this argument is not necessarily true. It is, indeed, to be expected that falling prices will result in the manufacturer receiving less for his product than he estimated, and, if the fall be steep enough, his profit may disappear altogether. He will restrict the scope of his enterprise; he will dismiss some of his men and will place others on short time. These will be the immediate effects of the fall. But, if it should be prolonged, he will be driven to take other than merely negative measures to meet it. He will overhaul his methods of production. He will scrap inefficient machinery, replacing it with up-to-date equipment. He will scrutinise overhead costs; he will devise new methods. He will endeavour in every possible way to counteract the effects of the fall in prices by more efficient and economical production. It is possible, therefore, to regard falling, no less than rising, prices as in the long run tending to stimulate production.

¹ Wages, however, depend on several factors, and these statements do not always hold good.

² It has been pointed out in an earlier chapter that copyholders have benefited enormously by the substantial rise in prices which has occurred since their quit-rents were fixed.

The amount of variation in the general level of prices can be measured by the compilation of index numbers. The prices of a large number of unrelated¹ commodities are combined; these may be computed monthly, annually, or at longer intervals, and the results compared. One of the calculations is taken as a standard with which others are to be compared, and to this the number 100 is assigned; it is a simple mathematical exercise to ascertain what numbers should represent the results obtained on other occasions. By this device some measurement of the amount of rise or fall is possible. But prices vary in different districts; the quality of goods varies from time to time, thus invalidating any comparison of their prices; changes in fashion cause some articles to fall into disuse; inventions are brought into use. For such reasons index numbers are not adequate for a comparison of the general price level at widely separated periods of time, and are not altogether satisfactory as a basis upon which to calculate increase or decrease of wages. But no better system of measuring price movements has been devised.

Index numbers were unknown before the nineteenth century (the earliest attempt to construct one was by Sir George Shuckburgh-Evelyn, in 1798), and they did not come into general use until the second half of the century. From this it follows that, while a good deal of exact knowledge of price variations in the nineteenth century exists, for the whole time before the nineteenth century our information on the subject is scanty.]

As has frequently been pointed out in these pages, much of the economic activity of the Middle Ages was not concerned with money at all. It was only towards the close of the Middle Ages that the use of money in everyday transactions became at all common. Money was used in towns, especially in their markets and fairs, but the compilation of reliable index numbers for the Middle Ages would be possible only if records were much more complete and continuous than they are.

Medieval prices² were characterised, on the one hand, by stability, and, on the other hand, by violent fluctuations. The elucidation of the paradox is simple. Nothing occurred to disturb the stability of the general level. The amount of money in circulation did not change substantially, even over long periods, and, if it increased slightly, it was perhaps balanced by a slow growth of the population. Nor did any substantial expansion in the production of goods occur to affect the level of prices. With population, currency, and production neither increasing nor diminishing, the general level of prices remained unchanged over long periods. The violent fluctuations referred to above were local and seasonal. Communication was difficult, and abundance

¹ That the items on the list should be unrelated is of some importance. If commodities which differ very slightly from one another are included to excess, the list lacks balance and the results obtained are not reliable.

² Medieval prices were very low by comparison with those of the present day. The level of prices prevalent before the Black Death is indicated by the fact that a halfpenny would purchase either a dozen eggs or three gallons of beer.

and deficiency in local harvests were reflected in sharp but temporary price movements which hardly affected the general level.

Some general price movements are observable after the middle of the fourteenth century. English successes in the Hundred Years War led to an increase in the amount of money in the country through the ransoming of captive French nobles and knights. The Black Death reduced the population, and, consequently, the production of the country. These two factors led to a rise in prices during the second half of the fourteenth century; it seems that the advance in wages (the price of labour) was more marked than the increase in the price of commodities. The advance was hardly maintained, however, except in wages, during the fifteenth century.

The middle of the Tudor period was characterised by a substantial advance in prices and a smaller increase in wages, the latter now conforming to the principle that they tend to advance more slowly than prices. The rise was brought about, primarily, as the result of the debasement of the coinage by Henry VIII, but it would have occurred to some degree in any case. The discovery and exploitation of America by the Spaniards led to the importation into Europe of great quantities of the precious metals, especially of silver; this was brought across the Atlantic to Spain, but it ultimately found its way into all the countries of western Europe, and by the time of Elizabeth it was materially influencing English price levels. The upward movement was maintained during the first half of the seventeenth century.¹

From the middle of the seventeenth century till the latter part of the eighteenth century prices advanced little, and in many articles a decline was registered. Several factors influenced this change in the direction of the price curve. The import of silver from America was diminishing, both absolutely and relatively—less in total amount, and less proportionately to population, which was increasing. Further, there was a drain of the precious metals to the East, through the activities of the various East India Companies. In spite of efforts to sell European wares in India, the

¹ This was one of the causes of the financial difficulties of James I and Charles I. As they could not make ends meet they were compelled to call Parliaments and to ask for grants of money. Such requests were likely to be resented, and members of Parliament would talk about royal extravagance and would try to fix the blame for the difficulties of the Crown on unpopular ministers. Thus arose an attitude of antagonism between Crown and Parliament which led ultimately to the Great Rebellion. It is interesting to speculate how the course of English history might have been changed if this had been a time of falling prices.

bulk of the oriental goods brought to Europe had to be paid for in gold and silver. The amount thus lost to England and other countries of western Europe must in course of time have been considerable.¹ Another factor in the situation was the increase which was taking place in the eighteenth century in the production of commodities. During the period under consideration the supply of currency failed to keep pace with the increase in production, and the result was a tendency towards falling prices. Wages, however, were well maintained, and they even advanced during a considerable part of this period. Some advance in food prices is to be observed in the second half of the eighteenth century. The population of Great Britain increased by about fifty per cent in the half-century; in spite of the agrarian changes which were taking place at the time, the increase in food production failed to keep pace with that in population, and the result was an increase in food prices.

Almost continuous warfare was being waged from 1793 till 1815, and the effects of the struggle continued to be felt long after peace was restored. In a period of less than thirty years, from 1793 to 1820, the general level of prices was almost doubled. Within the period, however, the most marked fluctuations occurred. Great Britain was compelled to provide all, or nearly all, the food required by her steadily increasing population, without reliance upon import. The area under cultivation was being constantly extended; rents rose, and food prices with them. The yield of the harvest varied year by year, and the market price of corn moved up and moved down to a remarkable extent. The war period was a time of substantial industrial progress. The use of machinery was being extended, and the volume of production steadily increased, a circumstance which helped to depress the prices of commodities other than food.

In 1797 the Bank of England suspended the redemption of its notes in gold, and until 1819 the issue of bank notes was not related to the gold reserve maintained by the Bank. Great

¹ For many centuries India has absorbed large quantities of gold and silver. Sir Bampfylde Fuller writes: ". . . the importation of gold and silver, which as a rule disappears into private hoards. India has always used her commerce to draw the precious metals from the countries of the West; so far back as the time of Pliny, the Indian trade was reproached with its accompanying loss of gold and silver. The Indian people have never found the commodities of Europe so attractive as Indian products are to European households, and they have always exacted part payment in cash. . . . The absorption of the precious metals has been continuing for centuries, and the people's hoards must in the aggregate be enormous."

Britain possessed an inconvertible paper currency, which could be increased in amount indefinitely, and this extension of the volume of the currency had a direct influence in bringing about an advance in prices. In some countries, and at various times in their history, the establishment of inconvertible paper money has marked the beginning of a steep *descensus Averno*, which has led to colossal prices and the ultimate demonetisation of the paper. The situation during this period in our history was at no time out of hand. The value of the bank note by comparison with gold varied from time to time, but the depreciation never exceeded twenty-nine per cent. This means that for a five-pound note goods could be purchased which would have cost £3 11s. if notes had continued to be convertible into gold on demand—a quite sufficiently serious advance in prices!

The history of prices since 1820 can be considered in greater detail, since the student has at his command the more accurate information which is embodied in a series of index numbers. The general tendency of price movements was downward from 1820 to 1849, upward from 1849 to 1873, downward from 1873 to 1896, upward from 1896 to 1914, steeply upward during the war period 1914–20, downward between 1920 and 1939, and it has been upward since 1939. Each of these periods will be considered in turn, and in dealing with each of them the same plan will be followed. The two factors of the ratio referred to above, currency and production, will be noticed, and circumstances affecting the volume of each will be recorded. In addition, the results of the price changes of the period upon the well-being of the country as a whole and of the working classes in particular will be noted.

The following table ¹ gives the index number ² for general prices

¹ The *Statist* (journal) extended the system of index numbers of wholesale prices begun by Jevons and Sauerbeck. Jevons compiled the figures for the years until 1859. The work was carried on by Sauerbeck, who took the year 1866 as his basis. The tables are here quoted with 1900 as the basic year; the actual figures, therefore, have been proportionately changed. The compilers based their work on the prices quoted for sixty commodities; some of these were merged together to give forty-five distinct price ratios.

The Board of Trade index numbers of wholesale prices date from 1871. For many years they were based on the prices of forty-five commodities. In 1912 this was increased to forty-seven, and in 1920 to one hundred and fifty. These tables differ from the *Statist* system in the number of articles considered, in the method of "weighting," and in the means of collecting information as to prices. The results obtained by the two systems are in substantial agreement, and the confirmation which they afford each other is valuable in that it establishes confidence in the conclusions which have been reached.

² It should be noticed that these index numbers refer to wholesale prices. Variations in retail prices follow movements in wholesale prices, but do not, as

in each of the years in which the direction of the price curve was changed. The percentage of variation within each period can thus be determined. (The price level of the year 1900 is taken as 100.)

"STATIST" INDEX NUMBERS 1900=100			BOARD OF TRADE INDEX NUMBERS 1900=100	
		Rise or fall per cent		Rise or fall per cent
1820	172			
1849	107	-38		
1873	148	+38	153	
1896	81	-45	88	-42
1914	113	+39	117	+33
1920	333	+196	358	+206
1939	—	—	164	-54

The fall in prices during the period 1820-49 was not uniform, and a detailed consideration of the index numbers shows that occasionally a slight rise occurred. The fall was due to insufficiency of currency, in view of the industrial expansion which was taking place. The supply of currency from Central and South America to Europe further diminished after the revolt of Spanish and Portuguese colonies in the New World. In the thirties a new source of supply was tapped; Russian gold was being produced in appreciable quantities. But it was not until late in the forties that the amount of gold from Russia was sufficient to affect the price curve. For a time, and to some extent, the metallic currency was supplemented by paper, in the form of the notes issued by private banks, but after the failure of a number of these institutions in the year 1825 the use of these notes fell off, and the passing of the Bank Charter Act in 1844 put an end to the possibility of further additions to the currency from this source. In the latter part of this period the use of cheques became increasingly common, but it was not sufficiently widespread to arrest the decline in prices. Nevertheless, the slowing down of the decline in the forties may be attributed to the extension of the practice of drawing cheques and to the increase in the production of gold in Russia.

On the other hand, production was increasing throughout this period. Full advantage was being taken by manufacturers of the

a rule, go quite so far. The changes in the "cost of living" were, therefore, not quite so great as might be inferred from the table. The well-known Ministry of Labour Cost of Living Index Numbers are based on retail prices, and they include such factors as rent and rates.

lead which Great Britain had gained over other countries in the Industrial Revolution. Machinery was being widely used and was constantly being improved. The tariff reforms of Huskisson and Peel were advantageous to trade, which was further stimulated by the construction of railways. The modification of the Navigation Acts by Huskisson promoted foreign trade, and the extension of postal facilities operated in the same direction.

This period of falling prices was characterised by much distress among the working classes. Wages which seemed to be already at starvation level dropped again and again, and no substantial improvement was effected by trade-union action. There was a big volume of unemployment, which was relieved only by the demand for labour occasioned by railway construction. Though prices fell, the fall was least in food commodities, which were of great importance to poor people, so that the workers experienced little benefit from the fall and probably were not conscious of it.

The period 1849-73 was a time of rising prices. The increase was fairly uniform until 1857. In 1858 a sharp drop occurred, but the fall was only temporary, and prices soon rose again. During the sixties there was little variation, but between 1870 and 1873 a further rise occurred.

The outstanding feature of the gold supply was the discovery of gold in California in 1848 and in Australia in 1851. For many years an amount averaging £25,000,000 sterling was added to the world's gold supply every year. A considerable part of the gold from these countries and from Russia found its way to Great Britain, and the consequent increase in the reserve of the Bank of England enabled that institution to reduce its rate of discount. "Cheap money" was available for industrial and commercial enterprises. The extension, in 1858, of the principle of limited liability to joint-stock banks assisted in the development of the banking system, and the more general use of cheques added to the volume of the currency.

Several circumstances contributed to the maintenance of the advance in production which was noted in the previous period. The last hindrances to freedom of trade were removed by Gladstone in 1853 and 1860. The application, in 1855, of the principle of limited liability to joint-stock companies facilitated the use of large masses of capital in industrial and commercial undertakings. The output of coal and iron increased rapidly in the period, and the production of steel was augmented after the discovery of the Bessemer process in 1855-6. The railway system was now well established, and during this period steamships became common.

But, on the other hand, much of the wealth which was produced was destroyed in war, for this was a period of wars—in Europe and North America—although the only important conflict in which Great Britain took part was the Crimean War. Further, the production of food was affected in some years by deficient harvests in some parts of the world and by the abandonment of farms in America and Australia by men who were attracted by the lure of the gold-fields. On the whole, in the earlier part of the period, production was advancing, but failed to keep pace with the increase in currency; prices rose. During the sixties the ratio of currency to production varied little, and prices remained stable. Between 1870 and 1873 credit was inflated, and the Franco-Prussian War further enhanced prices.

This was a period of great prosperity in Great Britain. The trade of the country steadily expanded. Unemployment was reduced to a minimum. Wages rose, and the condition of the working classes was much better than in the previous period. To some extent the improvement in working conditions was due to factory legislation and to trade union action. It might be thought that the advance in wages was offset by the rise in prices, but the latter was most pronounced in the raw materials of industry and in commodities not in general use among the poor; the rise in food prices was much less than in the prices of other things.

During the period 1873-96 prices declined to a remarkable extent. According to Sauerbeck's tables the index number for 1873 was 148 and that for 1896 only 81—a fall of 45 per cent. The corresponding Board of Trade figures, computed on a somewhat different plan, are 153 and 88, showing a decline of 42 per cent. The two tables, therefore, are in substantial agreement. The decline, beside being steep, was steady and continuous; only in 1880, and in the short period 1888-91, was it temporarily arrested. The whole period was characterised by industrial, commercial, and agricultural depression of such intensity that it is commonly referred to as the "Great Depression," and it is impossible to resist the conclusion that the depression was closely associated with the fall in prices.

The cause of the fall was the disturbance of both factors in the ratio between currency and production upon which the price level depended. For many years the supply of gold was insufficient to meet the world's requirements, although the volume of industrial production continued to expand, by reason of improvements in industrial processes and of the extension of mechanical transport by land and sea.

The distribution of the world's stock of gold was seriously affected by the currency policy of three important countries during the seventies. Germany had been a bimetallist country,¹ but monometallism was established in the newly formed German Empire. After 1873 only gold was coined as standard money in Germany, and during the next few years that country imported very considerable quantities of gold. France remained nominally bimetallist,² but really established her coinage on a gold basis, and for this purpose she also imported a good deal of gold. The United States had, since the Civil War, been saddled with an inconvertible currency, which in 1878 became convertible into gold. Californian gold, therefore, was no longer exported to Europe but was absorbed by the United States Treasury, which, in addition, received a certain amount of gold from other parts of the world. This substantial demand for gold in Germany, France, and the United States left very little for Great Britain,³ and during this period the reserve of the Bank of England remained stationary. The small amount which was imported was no more than sufficient to supply the requirements of the goldsmiths and to make good the wear and tear of the coinage, so that no surplus was left to meet the needs of expanding trade. The productivity of the world's gold-mines showed some falling off; it amounted, in the early eighties, to no more than £20,000,000 per annum. The actual amount added in a single year does not make very much difference to the world's stock of gold; nevertheless, it is worthy of note that the supply was tending to diminish just at the time when an increase was desirable. The failure of the Bank of England to increase its reserve of gold during this period hindered the expansion of credit. This, however, was mitigated by the more extensive use of cheques.

The production of commodities in many parts of the world was very great during this period. New coal-fields were opened up in Europe and America, and the amount of coal raised to the surface increased year by year. The production of iron and other metals

¹ The great difficulty with which bimetallist countries have been faced has been the establishment of an exact ratio between gold and silver. If either be over-valued it tends to disappear, in accordance with the principles of Gresham's Law. If the exact ratio of value be discovered and established it is liable to be deranged by any change in the market price of either metal, with, again, the disappearance of the more valuable metal. For this reason, bimetallist systems were constantly tending to become monometallist.

² In France the silver five-franc piece remained legal tender, but it was no longer minted after 1878. In 1878 all the countries in the Latin Union became practically monometallist.

³ Throughout this period the drain of gold to India continued.

also increased, and the development of the Gilchrist-Thomas process in steel production gave an enormous impetus to that industry. The raw materials of the textile industries, cotton, wool, and silk, were produced in ever-increasing quantities. It was in this period, too, that the full effect of the development of mechanical transport in various parts of the world began to be felt. Railways and steamships facilitated the cheap and rapid carriage of the commodities mentioned above, and, in addition, promoted the flow of cheap food from many parts of the world to Great Britain. Wheat and flour from the United States, Canada, the Argentine, India, and Australia, beef from North and South America, mutton from the antipodes, tea from Assam and Ceylon, and a vast quantity of such other things as rice, potatoes, bacon, butter, and cheese, flooded English markets at prices which year by year steadily declined.

Some further circumstances which affected prices in Great Britain must be taken into account. Probably no single article of food declined in price to a greater extent than sugar, which was produced in some continental countries under the bounty system. This official encouragement to growers enabled them to compete for the capture of the English market, and the inhabitants of this country were able to purchase sugar at a price which was below the cost of production. On this cheap sugar, too, confectionery and biscuit industries were built up. An additional reason for the decline in the prices of Indian products is to be found in the fall in value of the rupee.¹ This involved a proportionate decline in the prices paid for such Indian products as tea, cotton, and wheat.

Very important results necessarily attended such remarkable changes in the price levels as have been mentioned above. Agriculture suffered severely; much capital was lost, and many thousands of acres passed out of cultivation. Industrial undertakings suffered also; lower dividends, or none at all, were paid. The less efficient concerns, and those with inadequate resources, were forced into bankruptcy; those which were better managed and which had reserves of capital on which to draw were able to reorganise

¹ The demonetisation of silver by Germany in 1873 and by France in 1878 involved a diminution in the demand for this metal and a fall in its price as quoted in gold. Some countries, including India, possessed a silver standard currency, and the change in the value of silver acted prejudicially to the exchange-rates of these countries. Before 1873 the rupee was worth about two shillings; its value steadily declined during the next twenty years, and in 1893 it was worth only a fraction of a penny over one shilling. Merchants engaged in Indian trade could buy twenty (instead of ten) rupees' worth of goods for a pound, and could sell in England proportionately cheaply.

themselves to meet changed conditions. In the iron industry vast amounts of capital had to be scrapped in order to meet the new conditions brought about by the advance in production of steel. Shipping suffered from the fall in freights; nevertheless, the British mercantile marine remained the foremost in the world. People with capital sunk in industrial and commercial concerns had to be content with lower incomes; many preferred the greater certainty of the interest on Government stock, the price of which steadily appreciated.¹

The effect on the working classes was complex. The depression led to economies which often took the form of dismissing workmen or putting them on short time. Unemployment became a serious social problem, and from time to time commissions and committees were appointed to investigate its causes and to suggest remedies for it. Wages fell, but the fall was slower than in prices; in some industries it was slight, and in a few occupations wages even advanced.² Real wages (the quantity of goods and services which could be purchased by a workman with the money he earned) steadily advanced, so that in spite of some fall in the nominal rates of wages the working classes were better off. This statement is capable of verification in more than one way. It has been found that the average consumption of foodstuffs *per caput* increased slightly during the period, and that in certain "luxury" articles, such as tea and coffee, bacon and butter, the increase was pronounced. Further, the amounts of money invested in building societies, co-operative societies, and organisations of similar character, increased, indicating that many people were receiving more than was necessary to meet their immediate needs, and so were able to save. Many articles which, by people living on the poverty line, would be considered as luxuries, articles such as bicycles, daily papers, magazines, musical instruments, and the like, were commonly to be found in working-class homes.

The period between 1896 and 1914 was one of rising prices.

¹ This was one of the factors which made possible Mr. Goschen's great conversion scheme of 1888, by which the interest on consols was to be reduced from three to two and three-quarters per cent, and, after fifteen years, to two and a half per cent.

² Index numbers of wages in the building trades, coal-mining, engineering, textile industries, and agriculture have been officially compiled. They go back to 1880, and they show that there was little variation in wages during the eighties. A slight rise from 1880 to 1883 was followed by a slight fall from 1883 to 1886. The tendency of wages from 1886 to 1914 was to rise slowly, despite occasional temporary setbacks. It is to be observed, however, that these index numbers were based on rates of wages and not on actual earnings. No account was taken of short time or of periods of unemployment.

The rise was gradual, except for a sharp leap upward in 1900, which was succeeded by a corresponding fall in 1901, and another upward turn in 1906-7, followed by reaction in 1908-9. By 1912 the upward movement appeared to have spent its force, and the index numbers for 1912, 1913, and 1914 were identical.

The cause of the advance in prices was a great increase in the production of gold. Vast quantities of low-grade ore were discovered in the Transvaal, and the application of the cyanide process made possible the working of the Rand gold-mines at a profit.¹ Gold continued to be produced in other parts of the world, and in the twenty-eight years between the discovery of the metal in South Africa and the outbreak of the war of 1914-18 gold to the value of £1,600,000,000 was added to the world's stock—a much larger quantity than had been obtained in any other period of equal length in the world's history.² In course of time the new gold found its way to all the important industrial countries—to France, Germany, the United States, and Great Britain, and in all these countries the expansion of credit currency was very considerable.

¹ It was estimated that the ore on the Witwatersrand contained only half an ounce troy of gold to the ton. The gold was distributed in minute particles throughout the conglomerate, and its extraction at a cost less than the value of the product presented a problem which was solved by the application of the cyanide process. For a full account of the process the reader is referred to suitable works on mining and metallurgy. The ore is crushed, and then ground to a powder which is treated with a .3 per cent solution of potassium cyanide in the presence of air. A complex chemical reaction causes the gold to be dissolved, forming potassium gold cyanide. The clear liquid containing the gold compound is separated from the insoluble materials present by filter press, and zinc is added to it. The chemical reaction which takes place is a replacement of the gold by zinc, forming potassium zinc cyanide, leaving the gold to be precipitated. (Another way of recovering gold from cyanide of gold is by electrolysis.) In this way over ninety per cent of the gold in the ore is recovered. The successful working of the process involves the use of powerful crushing and milling machinery, and only by the employment of cheap native labour can a profit be made. The recovery of half an ounce troy from a ton of ore used to cost (including overhead charges) about thirty shillings; the gold was worth about two guineas. In recent years technical improvements and economies have made possible the profitable working of ore which contains less than a quarter of an ounce troy of gold. Gold is known to exist in minute quantities in rocks in most parts of the world, and, as the working of lower-grade ores at a profit becomes feasible, it is to be expected that the supply of gold will continue to increase.

² An amount equal to the whole production of gold throughout the world during the four centuries between the discovery of America and the opening of the Rand mines. This does not mean that the world's stock of gold was doubled in less than thirty years, since this estimate takes no account of the gold in use before 1492.

Production continued to expand, but on the whole it was unable to keep pace with the increase in the currency, and the general level of prices steadily rose. The increase of production was most marked in the case of food-products. New areas were brought under cultivation in various parts of the world, and new processes were introduced for the preservation of food. The rise in food prices during the period was, therefore, much less than the general rise,¹ and some articles did not advance at all.

The period was one of great general prosperity. The rising prices encouraged production in all directions; capital was available for new enterprises; the increased volume of currency put into the hands of the people the purchasing power needed to enable them to absorb the commodities which were being produced. The working classes continued to be well off. Wages rose, though not so quickly as prices, and it has been argued that this points to a fall in the real value of wages during the period. But it must be remembered that the rise in food prices was comparatively slight, and that a very considerable part of working-class expenditure is upon articles of food. There is no evidence of substantial advances in rents—the other great item in the weekly budget of the working man. Though the amount of unemployment was appreciable, it was less than in the preceding period, and the establishment of unemployment insurance in 1911 assisted in mitigating its worst effects. On the whole, it cannot be asserted with any degree of certainty that the position of the working classes deteriorated during the period.

The war period, 1914-20, was characterised in this and other countries by an advance in prices far greater than any which had been observed during the preceding century of peace. The currency of Great Britain was inflated by the issue of large quantities of paper money which was at first nominally convertible into gold, but which in course of time became practically inconvertible. The establishment of this new type of currency was necessitated by the huge volume of transactions with which the Government had to deal, and it was an important factor in bringing about the rise in prices which characterised the period. During the war there was some falling-off in the productivity of the South African gold-mines, but, in view of the issue of inconvertible paper, gold ceased to be a vital factor in the determination of prices.

The limitation of production for other than military and naval purposes caused a scarcity of commodities which, normally, were

¹ In 1902 Great Britain prohibited the import of "bounty" sugar, and a substantial advance was registered in the price of this commodity.

in great demand. Foodstuffs, also, were limited in quantity, since supplies from normal sources in other parts of the world were reduced, or cut off altogether. The German blockade of the British Isles added to the cost of insurance of ships and cargoes. All these factors contributed to a further enhancement of prices.

For several reasons real comparison with previous periods is difficult. Of some articles the prices were purely nominal, supplies being unobtainable. The prices of other articles were disguised, the Government fixing retail prices and granting subsidies to wholesalers to cover their losses in trading. The quality of many commodities deteriorated, and substitutes were often used. Some articles of food were rationed, the quantity which might be purchased by each person being limited. The rise in prices was viewed by many people with alarm, and much more interest was taken in the index numbers issued by the Board of Trade than at any previous time. These tables, which were compiled month by month, indicated that in the six years from July, 1914, to July, 1920, the general price level was trebled. Under the old method, by which the price level for 1900 was taken as the basis of comparison, the Board of Trade Index Number for 1914 was 117; that for 1920 was 358. (The corresponding *Statist* figures were 113 and 333.) It became the practice, however, to make the price level of July, 1914, the basis for future monthly computations.¹ For annual index numbers the year 1913 was taken as the basis.

It is difficult to estimate the effect of the increase in prices upon the working classes. There was an incalculable amount of suffering during the period—from bereavement, disease, maiming, shattered nerves, lowered vitality—but most of this was due to the war, and was not related to the advance in prices. Rents were standardised at their pre-war level, and the prices of many articles of food were regulated. There was of course no unemployment; the scarcity of workers in civil occupations was so great that many posts which would normally have been filled by men were occupied by women. Wages rose substantially, though very unequally in different industries. It is probable, on the whole, that the rise in prices caused much less distress to the working classes than to professional men and clerks, whose remuneration did not increase in the same proportion as the wages of manual workers.

Prices fell after 1920. The index number, which, on the 1913 basis, exceeded 300 in 1920, dropped to under 200 in the following

¹ The expression "pre-war prices," which was in common use between the two wars, is usually understood to refer to the price level prevalent in July, 1914.

year. After 1921 the fall was less rapid, and in 1924 a temporary rise was registered. The fall continued, however, and in 1932 the Board of Trade Index Number of Wholesale Prices was only 61 per cent, and the *Statist* Index Number only 58 per cent, of that of 1924. (The fall in retail prices, though considerable, was not so great.) The cause of the fall in prices during the post-war period was the modification of the ratio between currency and production (upon which the general level depends), by, on the one hand, the measures of deflation which were embarked upon, and, on the other hand, a substantial increase in production in many directions. As indicated elsewhere in this book, between 1920 and 1924 the total amount of currency notes in circulation was diminished by some £70,000,000, this quantity of notes being withdrawn and destroyed. At the same time the conditions prevalent in many important industries were reviewed; new equipment was installed, new processes were adopted, new uses were discovered for by-products, and labour and overhead costs were reduced. The consequent increase in production, together with the diminution in the volume of currency, were among the factors which accounted for the fall in prices which took place.

The production of gold revived after 1920,¹ but the continuance of the inconvertible paper currency made the supply of gold less important as a factor in the determination of price levels than was formerly the case. In 1925 the 'gold standard' was restored, but gold could be withdrawn from the Bank of England only under certain conditions (which are mentioned elsewhere), and the mass of the currency remained in practice inconvertible. Circumstances led to the discontinuance of the gold standard in September, 1931.

Some results of the great fall in prices between the two wars may be considered. There was a huge volume of unemployment, which did not disappear until after the outbreak of war in 1939. The fall in prices, unaccompanied by a corresponding fall in costs, forced manufacturers to attempt to produce more cheaply by the "rationalisation" of their establishments, i.e. by reorganisation, reduction of overhead costs, reduction of wages, and the introduction of new machinery, and this led to further unemployment. There was a steady reaction from the inflated wages of the war period, and reductions in wages caused industrial unrest. The fall in prices had the further effect of enhancing the real burden of the National Debt. Thousands of millions of pounds were

¹ The total value of the gold extracted from the world's gold-mines in 1932 was estimated at £100,000,000 (at 84s. 11d. per fine oz.).

borrowed when a pound would buy much less than it would after the general level of prices had fallen, so that the fall in prices was of great advantage to the holders of State securities.¹

The general level of prices rose again during the war of 1939-45, but not to so great an extent as during the earlier war. The cost of living index number which (taking July, 1914, as 100) stood at 155 at the outbreak of war in September, 1939, rose to 196 by 1941 and to 200 in the following year, but it reached only 202 by the end of the war, and 204 by 1st January, 1947. The rise in the cost of food was even less; by the end of the war the index number was 168. This was because the retail prices of foodstuffs were stabilised by administrative order; the real cost of food was disguised by the grant of substantial state subsidies to wholesalers and producers.

¹ The valuation of the franc, some years ago, at about twopence, its further revaluation at about one halfpenny, and its "stabilisation" in January, 1948, at little more than a farthing (864 francs to the pound sterling), have diminished the real burden of the French debt.

CHAPTER XXXII

INSURANCE

IT is probable that no form of human activity is entirely free from the risk of loss, damage, or potential liability. A man may set out from his house for an evening walk, and before nightfall he may be in hospital with a broken leg. Or, if he escapes bodily injury he may return home to find his house ablaze. A motor car or a bicycle left unattended in the street may be stolen, or may be involved in an accident followed by costly third party claims. In a hundred ways there is risk of loss. Risk cannot be eliminated, but measures can be taken to mitigate its consequences. In modern times it has become increasingly common for prudent people to avoid substantial financial loss by transferring risk to the shoulders of an insurer.

Insurance is based on the principle that the frequency of events which involve loss, damage, or potential liability can be measured. This is done by taking a large number of cases in which the event under consideration may happen and ascertaining the number of times it does happen, with the cost concerned; the likeliness of its occurrence is thus determined with some degree of accuracy. (Obviously, the greater the number of cases brought into consideration the more accurate will be the estimate of risk.) If it be found that there is one chance in a thousand of the undesirable event happening, and if this event should involve a loss of one hundred pounds, it seems reasonable to suppose that each one of a thousand people who are subject to the risk will be willing to pay two shillings to a fund which will amount to one hundred pounds; the unlucky person who actually suffers loss will be compensated by receiving this sum. Every person who thus insures against the risk is willing to suffer a trifling certain loss (the premium) in order to be sure of not suffering a much greater possible loss. The example just given is, of course, over-simplified; in practice, there must be some addition to the premium in order to meet expenses of working and for the accumulation of reserve funds, and in the assessment of premiums other factors are sometimes taken into account. But, in the main, statistical information provides the

basis on which insurance premiums are calculated. Insurance thus becomes nothing more than "spreading the risk."¹

There are several types of insurance. Marine insurance—the insurance of ships and their cargoes at sea—seems to have been practised in the great Italian seaports as early as the fourteenth century, and by the time of Elizabeth, and perhaps earlier, it was common in this country. The earliest fire insurance offices in England can be traced back to the latter part of the seventeenth century. Though occasional contracts of life assurance are known to have been arranged in the sixteenth and seventeenth centuries this type of insurance did not become widespread until the eighteenth century. The nineteenth and twentieth centuries have witnessed the development of what is known as accident insurance—a term so wide as to embrace personal accident (which includes sickness and specified diseases), burglary, employers' liability, motor, fidelity guarantee, and public liability. Boilers, plate glass, and live stock may also be covered by accident insurance.

From what has been written it might be thought that there is no risk of loss which may not be guarded against by insurance. This, however, would not be true; there are certain types of loss against which no insurance can be effected. Merely sentimental value is incapable of being insured; the loss or damage must be susceptible to pecuniary assessment. A lock of the hair of her dead child may be a mother's most treasured possession; in no circumstances would she be willing to part with it. Yet in terms of money it is worth nothing; its value is purely sentimental, and it could not be the subject of insurance. Nor can insurance be effected on risks of so vague a character that no means exist of estimating their extent. A business man runs the risk of loss of profits through the destruction of his premises by fire; this can be insured against, because his normal amount of profit can be ascertained by an inspection of his books and the likelihood of a fire occurring can be estimated from the statistical evidence in the possession of an insurance company. The business man also runs the risk of loss of profits through fluctuations in trade—due to a change of fashion, or the rise of a competitor, or political

¹ The advantages of "spreading the risk" were set out in the preamble of an act of 1601: "An act concerning matters of Assurance amongst Merchantess by means of whiche policie of assurance it comethe to passe that upon the losse or perishinge of any shippe there followethe not the undoinge of any man but the loss lightethe rather easilie upon the many than heavilie upon fewe and rather upon them that adventure not than those that doe adventure, whereby all merchantess, specialie the younger sorte, are allured to venture more willinglie and more freelie."

disturbances in a foreign country to which he is accustomed to export goods. But no statistical information exists as to the vagaries of fashion or the likelihood of the emergence of competing organisations or the frequency of revolutionary movements in, say, South American republics. These matters are so vague that no insurance company or underwriter could quote a premium which would represent anything more than a guess at the extent of the risk. In practice, insurance could not be effected because such risks are not susceptible to the principles upon which insurance is based.

There are legal limitations, too, on the practice of insurance. No one may benefit by means of insurance from an illegal act. A man who is thinking of committing a burglary and who realises that he may be caught cannot insure with a view to providing his wife with a weekly payment while he is in prison. A convicted murderer who has previously insured the life of his victim (in whom, presumably, he has an insurable interest) may not benefit from his crime. (Of course, he is liable to suffer the penalty of death, but even if he should be reprieved and serve a term of imprisonment he would upon release still be debarred from receiving the insurance payment in respect of his victim.)

The most important legal limitation on insurance lies in the requirement of insurable interest. No contract of insurance is valid unless the person in whose favour the insurance is effected is liable to suffer loss from the event insured against. Insurable interest exists if a person would suffer loss by the destruction of property or the creation of liability or the occurrence of another person's death, and would benefit by the preservation of the property or the absence of the liability or the continuance of the other person's life. The owner of a house has an insurable interest in his property, for he would suffer loss if it were destroyed; a wife has an insurable interest in the life of her husband, as she would no longer be supported by him after his death; a shipowner obviously has an insurable interest in his ship. But a man may not effect a policy of fire insurance on a house belonging to someone else and in which he has no interest, or a policy of life assurance on the life of a stranger whose death would cause him no financial loss, or a marine insurance policy on a ship which does not belong to him. Such transactions would be wagers; the proposer would be making a bet with the insurance company that a fire or a death or a wreck would take place, and payment could not be enforced.

Marine insurance, which, as stated above, originated in the

great trading cities of Italy in the later Middle Ages, became fully established in England in the Tudor period. Merchants met in Lombard Street, in which the London offices of the Italian banking houses were situated, in order to transact marine insurance business. The conditions and terms of insurance were not specified in detail in the policies, which were regarded as "following the usages of the Lombard Street merchants." These usages were part of the Law Merchant, which has been referred to in an earlier chapter. The Law Merchant was not the law of England, nor, indeed, of any one country; it was a kind of international law relating to commercial matters which was recognised and enforced in any Christian country in which merchants foregathered for trade. In England, cases arising out of marine insurance were settled in the Court of Admiralty, and as the Law Merchant, to which both parties in a dispute would appeal, was no part of English law the court would no doubt call upon Lombard Street merchants to act as assessors in particular cases.

In 1575 a Chamber of Assurances was established in the Royal Exchange (which had recently been built by Sir Thomas Gresham). All marine insurance policies had to be registered with the Chamber, and the Commissioners who controlled the Chamber acted as a Court of Arbitration for the settlement of disputes. This resulted in a great diminution in the number of cases which reached the Court of Admiralty. It appeared, however, that the legal powers of the Commissioners were inadequate and that their decisions could not be enforced. In 1601 their powers were defined by statute, and in 1662 they were further strengthened.

In the latter part of the seventeenth century the Chamber of Assurances began to decline in importance. Policies of marine insurance were not always registered with it, and the practice of doing business apart from the Chamber ultimately received legal recognition. Further, the main features of the Law Merchant relating to marine insurance gradually became, through the decisions of judges, absorbed into the general body of English common law, a process which was completed by the middle of the eighteenth century. The work of the Commissioners as a Court of Arbitration became less important, and disputes were brought before the common law courts. At some time in the course of the eighteenth century the court of the Commissioners disappeared; it is known to have been in existence in 1722, while a reference to it in 1774 implies that it was by that time extinct.

The destruction of the Smyrna fleet in 1693, as a result of attacks by the French in the Bay of Lagos, caused heavy loss to

underwriters, some of whom were unable to meet their obligations. This led to a movement for the establishment, for the business of marine insurance, of a company or companies with much larger capital resources than were at the command of individual underwriters.¹ No action was taken at the time, but in 1720 two important companies—the Royal Exchange Assurance with a capital of £1,152,000, and the London Assurance with as much as £2,000,000—were authorised by Act of Parliament. The financial collapse of the year 1720 (the South Sea Bubble) made it impossible for some of the subscribers to these companies to provide all the capital they had promised, and the companies began their career in difficulties. Nevertheless, they survived and prospered. They held a monopoly of marine insurance business as against other joint-stock companies, though not as against underwriters doing business either singly or in partnership. In 1721 both companies obtained supplementary charters which authorised them to transact life assurance and fire insurance business in addition to marine insurance.

Much business was transacted in the coffee houses which were a prominent feature of the social and economic life of London in the eighteenth century, and the business of marine insurance was carried on by underwriters in the coffee house of Edward Lloyd, originally in Tower Street and afterwards in Lombard Street and Abchurch Lane. Lloyd died in 1713, but the coffee house was carried on in his name. In 1734 the publication of *Lloyd's List* was begun; it contained notices of arrivals and sailings of ships and other information of use to merchants and underwriters. In 1769 Lloyd's moved to Pope's Head Alley, and only two years later a lease of rooms in the Royal Exchange was taken. The organisation is now housed in its own premises, Lloyd's Building, in Leadenhall Street.

The monopoly (apart from the business of individual underwriters) of the two companies mentioned above lasted until well into the nineteenth century. Early in the century efforts were made to obtain charters (for which special Acts of Parliament were necessary) for other concerns. In 1810 it was proposed to establish a company with a capital of no less than £5,000,000, to undertake marine insurance, the promoters contending that the two privileged companies did not insure more than a small fraction of

¹ It will be recognised that this movement was in harmony with the principles of mercantilism, which were prevalent at the time. It had a parallel in the establishment of the Bank of England to supplement, though not to supersede, the banking activities of the goldsmiths.

the British mercantile marine and that much insurance business was being done abroad; if a new company were established it might not only secure much of this business but might also attract a large volume of foreign insurance. A Select Committee of the House of Commons was appointed in the same year to consider the position of marine insurance. It found that the chartered companies were doing only four per cent of the business of marine insurance and that their activities were no greater than those of the most substantial of the underwriters. It recommended the termination of their monopoly, but a bill for this purpose was defeated in the House of Commons in 1811. It was not until 1824 that the Act of 1720 was repealed.

The termination of the monopoly of the two privileged companies was followed by the establishment of a number of companies which specialised in marine insurance as well as of others which transacted all kinds of insurance business. The amount of business which was undertaken with these companies was very large, and at one time it seemed that Lloyd's must decline in importance and that the number of individual underwriters would diminish until few were left, or none at all. For more than one reason this did not happen. In the first place the total volume of insurance business continued to expand (much of it coming from foreign countries), so that there was enough for all. Then, too, Lloyd's had the advantage of long-established connections; shipping firms which had conducted their insurance business with members of Lloyd's for generations were disinclined to transfer it to newly established companies. Moreover, many of the underwriters at Lloyd's were energetic men who were not prepared to surrender to the joint-stock companies; they competed vigorously with them for business, and they carried the conflict into the camp of their competitors by extending their operations to all classes of insurance.

After the Great Fire of London in 1666 several schemes were evolved for the insurance of houses against destruction by fire. One of these schemes was promoted by the Corporation of the City of London, but the opposition of a private company which had already been established was so strong that the City Council abandoned its proposals and returned their premiums to its clients. The private company which opposed the City Council was known as the Fire Office. It was established in 1680 and built up a flourishing business, and in 1712 it changed its name to the Phenix (clearly a most appropriate designation for a fire insurance office). In after years it declined; its premium income

was insufficient to meet claims upon it, and before the end of the eighteenth century it disappeared.¹ Another private company, the Friendly Society, was founded in 1683, and a third, the Hand-in-Hand, in 1696. These companies differed to some extent in their rates of premium and in the arrangements they made for the meeting of claims, but it may be noted that their charges for timber houses were double those for brick-built houses. The Hand-in-Hand office survived till the early years of the twentieth century, when it was absorbed by the Commercial Union.

These fire insurance offices of the seventeenth century limited their activity to the insurance of buildings. The business of insuring furniture and other movable articles against fire dates from the eighteenth century. Other companies which were formed from time to time were prepared to insure both houses and their contents.

The Industrial Revolution involved the establishment of thousands of factories and their equipment with machinery, and the building of warehouses in which vast quantities of raw materials and manufactured products were stored. The demand for fire insurance necessarily kept pace with this industrial development; many new offices came into existence, and an elaborate classification of risks was worked out in the light of experience.²

Life assurance differs from marine, fire, and accident insurance in that death, the event insured against, is certain to happen, whereas the ship may, and probably will, arrive safely at port, and the occurrence of fire or accident is unlikely; the only uncertain factor in life assurance is the date at which death will occur. For the assessment of premiums which shall be fair and reasonable to both assurer and assured the compilation of reliable mortality tables is essential; from a consideration of a large number of deaths it is possible to ascertain what is the probability of death occurring in each year of age, and separate tables can be compiled for the sexes, for dwellers in town and in country, and for people engaged in various occupations. The earliest mortality tables were compiled by Edmund Halley, the astronomer, near the end of the seventeenth century, and during the following century many other tables were worked out.³

¹ It should not be confused with the present-day Phoenix.

² The classification of risks is naturally subject to revision from time to time as new factors arise, involving, on the one hand, greater risk of fire, and, on the other hand, improved methods of fire extinguishment or prevention.

³ Mortality tables cannot be regarded as holding good for all time; they must be subject to periodic revision. Advances in medical science, the reduction of infant mortality, and the improvement of conditions of life in town and country are factors which have the effect of increasing longevity.

Some policies of life assurance which were effected in the reign of Elizabeth have been preserved. They differed from modern life assurance policies in that they were for short periods only—usually for a year. At the end of the year the assurance lapsed unless it was renewed for a further year.¹ Such assurances were more like the fire and accident insurances than the life assurance of the present day. Like the marine insurance policies, those of life assurance were registered at the Chamber of Assurances in the Royal Exchange, and it seems that they were closely associated with marine insurance. Short-term life assurance policies were sometimes effected as security for the repayment of loans (which might be used in overseas trading) in the event of the death of the borrower, and it was not unusual for the master of a ship which traded with the Mediterranean to insure against being captured and held to ransom by the Corsairs.

It was not until the eighteenth century that full life assurance became at all general. The merchants and manufacturers of the time of the Industrial Revolution formed a wealthy and important class of the community. They enjoyed a standard of living which their families might not be able to maintain in the event of their death, unless special provision were made. To such people life assurance offered special attraction. Several societies were formed early in the eighteenth century, each member of which made regular payments to a fund from which at his death his widow received a sum which varied with the number of years he had contributed. The Amicable Society, which was founded in 1706, was conducted in this way till 1757, by which time it had accumulated sufficient reserves to enable it to guarantee a fixed minimum payment on the death of a member.

The Equitable Society, founded in 1756, proposed to insure lives "either for a single year or for a number of years certain or for the whole of life on premiums proportionate to the several years of the insured (provided the same be not less than eight nor greater than sixty-seven)." The society's application in the following year for a charter of incorporation was opposed by the Amicable Society, and also by the Royal Exchange Assurance and

¹ A life assurance policy at the present time may possibly lapse, if the annual premium is not paid, though this rarely happens, since most life policies contain non-forfeiture provisions. But the contract between assurer and assured, going on from year to year, is a single contract, and there is no increase of premium with advancing years. In these early policies each renewal was in the nature of a fresh contract for which a higher premium might be asked on account of the increased age of the assured person and the consequent greater imminence of the event assured against.

the London Assurance, although these two companies were concerned mainly with marine insurance and limited their life assurance business to the issue of short-term policies. The opposition was successful, and no charter was granted, but the promoters of the Equitable determined to carry it on as a partnership, and it was finally settled in this form in 1762.

In the latter part of the eighteenth century (until 1792) the Equitable was the only office to transact life assurance business as a permanent contract at a steady annual premium which was based upon age at entry. The two chartered companies and the underwriters treated life assurance business as an annual contract, renewable annually, at rates of premium which increased with the advancing age of the assured person.

A good deal of life assurance business at this time was purely speculative. Policies might even be taken out upon the lives of famous soldiers who were engaged in war by people who had no personal interest in their lives. Such assurances were mere wagers. In 1774 the Life Assurance Act prohibited assurances upon any lives except for the advantage of persons who had an interest in the life of the person assured, and it provided that the amount of the assurance should not exceed the value of this interest.

Two other offices were founded before the end of the eighteenth century—the Westminster in 1792 and the Pelican in 1797. Neither succeeded in obtaining a charter, and both were set up by bodies of proprietors in partnership. In some features of their working they differed from the Equitable, which added to the basic sum assured a share of the profits, while they did not; on the other hand they paid commission to agents for the introduction of new business, which was not the practice of the Equitable.

The nineteenth century witnessed the establishment of many other life assurance offices, especially after the extinction in 1824 of the monopoly of the two privileged companies and the application, later in the century, of the principle of limited liability to joint-stock companies. There was a tremendous expansion of life assurance business during the century (and it has continued in the twentieth), and many new and attractive forms of policy were offered. It is impossible in this chapter to refer to all of these in detail, but mention may be made of the endowment policy, under which a certain sum is payable upon the attainment of a specified age (or at death, if it should occur earlier), of the policy associated with house purchase, under which the man who is paying for his house by instalments and who dies before the

completion of the payment arranges for the extinction of the balance of the liability, and of the policy under which its holder, upon the attainment of a specified age, is offered the choice of a lump sum down or a pension for the remainder of his life.

Nor must industrial assurance be forgotten. This type of life assurance has become widespread among the working classes. People who cannot afford to pay the substantial annual premiums associated with ordinary life assurance are able to pay weekly premiums of a few pence (to an agent who calls at their homes) in order to receive, at the death of the assured person, a sum sufficient to meet funeral expenses.

It was not until nearly the middle of the nineteenth century that a beginning was made of insurance against bodily injury. The earliest companies to undertake this type of insurance were specially concerned with railway accidents. This limitation did not last long, and within a few years the accident insurance companies were offering insurance against not only death but also bodily injury from any accidental cause.

It is unnecessary to describe in detail the many forms of accident insurance which have been developed in the past hundred years. Policies may be effected in respect of loss of or damage to property by burglary, housebreaking, larceny, or theft, of public liability relating to legal liability for accidental bodily injuries to or damage to the property of third parties, of third party liability in motor accidents, of breakage of plate glass, and of many other happenings.

A type of insurance which seems to be very far removed from bodily injury or damage to property but which, nevertheless, is classed as accident insurance is that of fidelity guarantee. Persons who occupy positions in which they may have to deal with large sums of money not their own may have to provide a guarantee of their honesty, either by inducing a friend to act as surety or by means of an insurance company's guarantee. In return for a premium the company undertakes to make good any loss of money which may be sustained by reason of the dishonesty of the person whose fidelity has been guaranteed.

Some of the companies which were formed after the repeal, in 1824, of the Act of 1720 were important concerns which possessed large reserves of capital and carried on their business on sound principles; others were not so well conducted, and if, as sometimes happened, they offered to accept unduly low premiums for the benefits proposed it was inevitable that they should end in bankruptcy; a few were undoubtedly fraudulent from the beginning.

It became evident that some protection had to be devised for the public, and a series of acts was passed for this purpose.

By the Life Assurance Companies Act, 1870, it was provided that every company beginning to carry on the business of life assurance should make a deposit of £20,000 with the Board of Trade; this deposit should not be returned until the company's life assurance fund, accumulated from premiums, amounted to £40,000. Any company which transacted other classes of business as well as life assurance was to maintain a separate fund for the life assurance business. Accounts were to be kept and to be published in a prescribed form, so that the financial position of a company would be made clear to everybody who was interested. Once in every five years for new companies, and once in every ten years for existing companies, an independent actuary would conduct an investigation into the financial position of the company.

A much more comprehensive Assurance Companies Act, which dealt with most kinds of insurance (other than marine), was passed in 1909. A separate deposit of £20,000 had to be made in respect of each of certain classes of insurance business undertaken (though some exceptions and modifications were permitted), and as a rule the deposit was not returnable. Separate funds had to be maintained for each class of business, although it was conceded that investments of the several funds need not be separate.¹ There were further provisions in the Act relative to the form in which accounts should be kept and balance sheets presented, and to a variety of other matters. The Act applied to insurance companies, but not to underwriters who were members of Lloyd's or similar associations; special rules were framed to ensure their stability and reliability. In spite of the detailed regulations of the Act of 1909 a number of companies failed in subsequent years, and some amending acts were passed.

The Road Traffic Act, 1930, provided for deposits to be made in respect of motor insurance business.

The law for the protection of the public in the matter of insurance was amended and strengthened by the Assurance Companies Act, 1946. This Act was as comprehensive as possible, since it related to all main classes of insurance business, including (for the first time) marine and aviation insurance. It required every insurance company to have a paid-up share capital of at least £50,000, and it laid down as a test of solvency that the value of a company's assets must exceed the amount of its liabilities by

¹ This concession proved to be unwise; to a considerable extent the advantage of maintaining separate funds in the books of a company was lost.

£50,000 or by a sum representing one-tenth of its annual premium income, whichever was the greater. It had long been felt that the system of deposits was unsatisfactory as a means of providing security and that it was inadequate for this purpose and could not become effective unless the deposit was substantially increased. The deposit system, moreover, involved the setting aside of capital which could be used with advantage in the business. Since the Act made other provision for determining the solvency of insurance companies it was decided to discontinue the requirement of deposits from new companies and to permit their withdrawal by existing companies. The Board of Trade already possessed, under the Assurance Companies (Winding Up) Acts, 1933 and 1935, some powers of inquiry for the purpose of ascertaining the solvency or otherwise of a company, and by the Act of 1946 these powers were extended.

The three-quarters of a century which elapsed between the Acts of 1870 and 1946 witnessed a marked change in the attitude of the State towards the insurance companies. The earlier act involved a minimum of state intervention in the business of insurance and was the kind of regulation which might be expected to be brought forward while the principle of *laissez-faire* was still in the ascendant. It applied only to a single class of insurance, and by it the Government did not undertake to certify the solvency of any insurance company or even to prevent an insolvent company from continuing in business. It aimed at little more than the enforcement of such a degree of publicity in the affairs of a company as would enable people to judge for themselves whether it would or would not be to their interest to do business with it. By 1946 *laissez-faire*, as the policy of the State towards economic activity, was completely discredited, and the Assurance Companies Act of that year not only applied to almost every type of insurance business, but aimed at making as certain as possible that British insurance companies should be solvent; it was not limited to the provision of materials by means of which people could exercise judgment on insurance matters but was framed so as to afford them the utmost protection.

Until recently insurance was voluntary; people were subject to certain risks and they decided for themselves whether they would insure against financial loss or not. In recent years insurance against certain risks has become compulsory. Before the nationalisation of the coal mines their owners were compelled to insure in respect of their liability under the Workmen's Compensation Acts for accidents to miners. The owner of an aircraft will in

future have to insure against accidents to passengers or other persons. The best known of these compulsory insurances is third party motor insurance; the owner of a motor vehicle is bound to insure in respect of the death or injury of any person (with certain exceptions) which may be caused by his vehicle.

It has sometimes happened that third party motor insurance has failed of its purpose through the insolvency of the company with which the insurance has been effected. The owner of the vehicle has remained liable for any harm he has caused to a third person by his negligence, notwithstanding the failure of the insurance company, but if he has been without means the injured person has received no compensation. It is exceedingly unlikely that the large companies would fail to meet their obligations, but five of the smaller companies failed during the first few years of compulsory third party motor insurance. A solution of the difficulty was evolved by the insurance companies and the underwriters. An Insurers' Association was formed and was supplied by the parties concerned with sufficient funds to pay all amounts awarded by the courts to injured third parties whenever there was ineffective insurance or absence of insurance.¹ Therefore, if the victim of an accident cannot obtain compensation from a motorist or from his insurance company he is able to secure it from the Insurers' Association (which is now known as the Motor Insurers' Bureau).

National health insurance and national unemployment insurance were instituted in 1911. Most manual workers and many non-manual workers were included in the scheme; contributions were payable by employers and workers, and there was also a subsidy from the State. The actual working of national insurance was to a large extent in the hands of "approved societies," many of which were friendly societies of long standing which for many years had carried on voluntary schemes of insurance against illness for their members. The original scheme of national insurance was extended from time to time in various directions, and in 1946 a National Insurance Act was passed by which all benefits (sickness, unemployment, maternity, old age pensions, widows' pensions, death grants, and other benefits) were brought into a single scheme to come into operation on 5th July, 1948. Contributions under this scheme are payable in respect of most persons between the ages of sixteen and sixty-five, although there are different rates of contribution for employed, self-employed, and non-employed persons, and for the two sexes in each class. The

¹ This followed the recommendation of the Cassel Report that a central fund should be established.

administration of the scheme is undertaken directly by the Ministry of National Insurance, mainly from local offices established for the purpose. The approved societies are no longer associated with the State in this work.

The operations of British insurance companies are not limited to Great Britain. They do a very large amount of business with other countries in fire, accident, and marine insurance; in the field of life assurance they are not quite so prominent abroad. This foreign business is connected with nearly every country in the world except Russia, and it is remarkable that a large part of it is with the United States. It has been stated (by Lord Woolton) that the premiums received by British insurance companies in respect of overseas business, other than life assurance, amount to £160,000,000 per annum. Much of this is, of course, paid out again in settlement of claims; the balance, after all claims have been met, forms a substantial contribution to the nation's invisible exports.

CHAPTER XXXIII

THE PREVALENCE OF "LAISSEZ-FAIRE"

FOR many hundreds of years English economic activity, of all kinds, was subject to regulation—at first local, and later, with the development of a sense of nationality, national. The supervision of economic activity under principles which are commonly included in the term Mercantilism continued until the eighteenth century (and in some ways until the nineteenth century). During the eighteenth century belief in the efficacy of regulation declined, and under the influence of the teaching of Adam Smith the "policy of plenty" began to replace the "policy of power." For a century or more the general economic policy of Great Britain was of the negative character generally known as *laissez-faire*, to which frequent references have already been made in these pages.

In some directions (not exclusively economic) *laissez-faire* principles prevailed long before the publication of *The Wealth of Nations*. As far back as 1689 the passing of the Toleration Act indicated the abandonment by the State of its policy of controlling the religion of the nation,¹ and in 1695 the censorship of the press was discontinued. During the period of Whig predominance, from 1689 to 1761, the Statute of Artificers ceased to be generally enforced, the monopoly of foreign trade by chartered companies was breaking down, and the laws relating to colonial trade were not rigidly enforced.

The philosophical basis of *laissez-faire* was the assumption that the maximum of benefit was to be attained by the individual through the exercise of free, unfettered competition, and that if men were liberated from regulation and restriction in their activities they would choose such courses of action as would be to their greatest advantage. It was further assumed that the pursuit by all men of what was to their own advantage must necessarily result in the maximum of benefit to the community as a whole. The truth of this supposition need not be accepted without qualification; its falsity, in fact, is evident from the reflection that in a

¹ This abandonment was not complete, since the Toleration Act did not apply to Roman Catholics nor to Unitarians, while Protestant Dissenters remained under disabilities which were not entirely removed for nearly two centuries. Nevertheless, the Toleration Act indicates the turning point of national policy on this matter.

society organised on a basis of free and fierce competition what is to the advantage of one is usually to the detriment of another, so that the net gain to the community is much less than might result from their co-operation.¹ But when the truth of the proposition was treated as axiomatic the continuance of State regulation of economic activity was regarded as prejudicial to the true interests of the nation. The duty of the State was to stand aside and take no part in the clash of economic interests; it was expected to confine its activity to such primary functions as the defence of the country from external attack and the maintenance of internal order.

Laissez-faire was never prevalent to this extreme degree in Great Britain, but the influence of the Classical school of thought was sufficiently potent at the time of the Industrial Revolution to affect State policy profoundly.² When factories came into existence no attempt was made to supervise their erection and equipment, and conditions of labour in them were entirely unregulated. Hours of work, wages, sanitary conditions, comfort, safety, and convenience were matters in which the State felt that it had no concern. The existence of evils was admitted, but it was felt that they could be remedied only in the slow course of industrial evolution. Interference would be wrong in itself; it would tend to restrict the manufacturer in the conduct of his business, and, though it might be applied equally as regards all factory owners in Great Britain, it would place them at a disadvantage in their competition with rival captains of industry in other countries. In course of time, however, it was recognised that freedom for the employer might mean a condition approaching slavery for the worker, and that in bargaining on conditions of employment master and man did not stand on an equal footing. Certain classes of workers needed protection by the State in the settlement of the conditions of their employment, and a code of factory laws came into existence. But successive extensions of factory law were opposed on doctrinaire grounds, and it was long felt that they could not be justified except on the ground that they were applicable only to such classes as were by nature incapable of fully safeguarding their own interests.

The housing problem in town and country was treated from the same point of view. It was felt that the provision of houses for

¹ This view of *laissez-faire* philosophy should, of course, not be regarded as a defence of Mercantilism, which has been criticised elsewhere in this book. Neither Mercantilism nor *laissez-faire* can be considered as an ideal basis of economic organisation.

² Most of the points referred to in this and succeeding paragraphs have been dealt with more fully in other chapters.

the working classes should be undertaken, as a profitable speculation, by private enterprise; the State could take no part in it. The State should not intervene even to the extent of prescribing conditions of health and decency. Hence, in the houses that were built at this time, a minimum of space, of ventilation, and of sanitation was provided, and rents were demanded which represented the maximum which could be extorted from the poor.

The same principles were applied to the provision of new means of transport. Turnpike roads were maintained by private turnpike trusts, and canals were constructed by private companies; the State gave no assistance and imposed no conditions. This was true of railway construction and working also; private capital was employed in the formation of companies which built railways as a profitable speculation. The State did not assist in the work, and though, in view of the importance of this new means of transport, some measure of public control proved to be unavoidable, it was applied slowly, hesitantly, and with extreme reluctance.

Between 1793 and 1815, except for two brief intervals, Great Britain was at war with France. It is necessary merely to sketch in outline the condition of this country during the war period. Population was increasing rapidly, and in view of the inevitable wastage of men in a long war this was at the time considered to be satisfactory. Agriculture was in a prosperous condition; enclosures were becoming general, new methods were coming into use, and the necessity of providing a larger supply of food involved the cultivation of land hitherto barren. The price of corn was high, and farmers prospered; rents advanced, and landowners grew wealthy. At the same time industry was expanding. Machinery driven by water-power or by steam was coming into general use, and the production of cheap manufactured goods, especially of textiles, increased year by year. In spite of the efforts of Napoleon to destroy the export trade of Great Britain¹ it increased steadily.

¹ Napoleon, realising that British resistance to him was based on naval power and that Great Britain supported her navy out of the profits of her trade, concluded that if British commerce were ruined Great Britain would be compelled to reduce her fleet. He thought that, if the market for British exports were cut off while imports continued, the balance of trade would turn heavily against Great Britain, and that she would find herself in such serious financial difficulties that she would be glad to treat for peace.

While he was at Berlin in 1806 he issued the Berlin Decree, and in the following year he put forth a supplementary edict at Milan. These decrees began what is called the Continental System. Napoleon declared the British Isles to be in a state of blockade, and forbade France and her allies to trade with this country. He further ordered that all European ports from the Vistula to the Adriatic were to be closed to British ships and, in order that

The European market was closed to British goods during the latter part of the war, except in so far as smuggling took place or importation was permitted under licence. New markets were sought, however, and a great trade was built up with British colonies and with the newly formed republics of South and Central America. The annual value of British exports at the beginning of this period was £32,000,000; at the end it was £58,000,000.

In spite of the increase in the National Debt and of the burden of taxation the country was richer at the end than at the beginning of the war. But its wealth was very unevenly distributed. Merchants and manufacturers, landlords and farmers, made fortunes. The mass of the people lived under conditions of poverty and even of destitution. In the country the labouring class was kept alive only by the wide application of the allowance system, and in the factory towns the operatives worked for long hours, under exhausting and depressing conditions, for a wage which could be regarded only as a pittance. As pointed out above, no building regulations existed, and the cottages which were erected for the accommodation of the army of factory workers were lacking in the most elementary requirements for securing health and decency. Hovels of two or three rooms were crowded together side by side and back to back in narrow mean streets which in course of time

British goods should not find their way into Europe under the protection of a neutral flag, that neutral vessels which visited the Continent after having touched at a British port were to be confiscated as prizes. British merchandise, wherever found, was to be destroyed. The British reply was contained in Orders in Council, by which the ports of France and her allies were declared to be in a state of blockade. Neutral ships were forbidden to go to the Continent, and those on the way thither were to be diverted to British ports. In substance, Napoleon ordered that the Continent should not buy British goods; Great Britain determined that if the Continent would not buy British goods it should buy goods of no other country.

This commercial warfare continued until the fall of Napoleon. The Continental System inflicted much damage upon British trade by the closing of European markets to British goods, and, though no French fleet existed by which the blockade of Great Britain could be enforced, a large number of privateers inflicted heavy losses upon British merchant shipping. But the counter-blockade of the Continent by Great Britain caused much greater loss and suffering to the French and to other peoples subject to Napoleon. British industrial supremacy was by this time so well established that British products were really needed upon the Continent, and a good deal of smuggling went on. Napoleon himself had to issue licences for the admission of British goods of various kinds. The earlier conquests of Napoleon had resulted in his new subjects enjoying prosperity and good government. The hardships now caused by the Continental System, especially to the middle and lower classes, reacted against him and caused widespread resentment, which developed into hatred of him and his rule.

became the worst of slums. Drainage and water-supply were deficient, infectious diseases were common, and a high death-rate prevailed.

Depression followed the war, and it continued, in varying degrees, until the middle of the nineteenth century. Continental markets were reopened to British trade, but European countries emerged from the war in such a state of economic exhaustion that they were unable to buy British goods. The home demand also fell off, and manufacturers were unable to dispose of their products. Factories reduced their output. Some were closed altogether; others worked on short time. Men were discharged from the fighting forces and from the arsenals and sought work in industries in which staffs were already being reduced. Wages fell, and an unemployment problem was created which lasted for a generation.

The burden of taxation was heavy. The National Debt stood at an unparalleled level. The abandonment of the income-tax necessitated the maintenance of indirect taxation at a high level, and a schedule of heavy customs duties on many hundreds of commodities was rigidly enforced. The normal expansion of trade was thus hampered, and retail prices were enhanced. The Corn Law conferred a minimum of benefit on the agricultural interest while it inflicted a maximum of hardship on the poor by keeping the price of bread at a high level. Poor-rates in most parts of the country remained high on account of the continuance of the allowance system. The working classes were adversely affected in every direction. Prices, especially of food, remained high,¹ while wages were low and employment uncertain.

Some years elapsed before there were any indications of a return to prosperity. Nevertheless, certain factors told in favour of Great Britain and these ultimately enabled her to recover from the depression. The extensive use of machinery and the low cost of labour made possible the production of manufactured goods for export at very low prices. Within a few years of the return of peace the currency had been stabilised, and bank notes, which had been inconvertible since 1797, again became payable in gold. The burden of taxation was least on property and income, and capital was available for industrial expansion. And, though a certain amount of social and political discontent existed and made itself known, it never reached the point of seriously threatening the security of the existing order of things.

For many years the working classes failed to share in the return

¹ Though the period 1820-49 was a time of falling prices, the fall was least in the prices of foodstuffs.

to prosperity. The wealthy were not ignorant of or indifferent to their plight, but, in view of the economic theories which were prevalent at the time, it was thought that improvement in their condition could not be expected. Belief in the Wage Fund theory indicated that any attempt to raise wages generally would fail, and that in so far as sectional advances were secured they would be obtained at the expense of other groups of workers. The views on population enunciated by Malthus and generally accepted in course of time were such as to discourage any effort to improve the general standard of living. An increase in the comfort of the people, a diminution in the hardships which bore on them, would, it was believed, be followed by an increase in their numbers. Every increase in numbers would augment the competition for employment, and the greater the number of workmen the smaller must be the share of the Wage Fund to which each was entitled. Philanthropists who would relieve distress were compelled to hesitate by the thought that any alleviation of existing conditions of life among the poor was certain to be followed by a reversion to a state in which things might be even worse than before.

Yet the condition of the working classes was such as to cause uneasiness in the minds of thoughtful people. Many of these, convinced as they were that the policy of *laissez-faire* was fundamentally sound and that active State intervention on behalf of the poor could have none but disastrous results, felt that the state of affairs existent at the time was most unsatisfactory. In the view of some of them it was not the application of *laissez-faire* principles but the incompleteness of their application which was at fault, and a movement developed for the cessation of the national regulation of economic activity in directions in which it still survived. The relaxation of the Combination Laws in 1824 and 1825, the lifting of the ban on the export of machinery and on emigration in 1825, and the abolition of the allowance system in 1834, were brought about through the advocacy of men who held this opinion. The reduction of import and export duties was undertaken by Huskisson for this reason, as were the relaxation and ultimate repeal of the Navigation Laws. The great movement to bring about free trade, which extended from 1842 to 1861, and which included the repeal of the Corn Laws, marks the triumph and the completion of the application of the principles of *laissez-faire*.

Side by side with the movement for the entire abolition of State control of economic activity was the growth of a Humanitarian party, led by Lord Ashley (afterwards Earl of Shaftesbury), a nobleman of great piety, whose high character inspired great

confidence and whose aristocratic position and great wealth dispelled all suspicion that his interest in social problems was inspired by any but the highest motives. The Humanitarians were disposed to challenge the conclusion which was drawn from existing economic views, and they contended that attempts ought to be made to reform social conditions. Such attempts at reform as were made at this time appeared to be timid and tentative, and on this ground they were criticised by the impatient advocates of far-reaching change. But the very attempt to effect improvement at all was courageous. The old economic theories were not yet disproved. It was prudent to hasten slowly. A reform was a step in the dark, and if the step was not too big it might be possible to retract it if the evil results predicted by the economists should appear.

Between 1833 and 1850 several Factory Acts were passed, the effect of which was to establish a measure of regulation of the conditions of labour in textile factories and to lay the foundations for its extension to other industries later in the century. In 1842 the conditions prevalent in the mining industry also came under review. The appointment of inspectors of factories in 1833 and of mines in 1850 was undertaken in order to secure the observance of the law. Education, which hitherto had been left entirely to private and charitable enterprise, received some small encouragement from the State by the establishment in 1833 of an annual grant of £20,000 to assist in the building of schools. This amount was increased in 1839 to £30,000 per annum, and a few years later to £100,000 per annum, and inspectors of schools were appointed to investigate and report on the degree of efficiency attained by these establishments. In 1848 a central Board of Health was set up, with power to establish local Boards of Health wherever they were required; these local boards were authorised to take steps to provide main drainage and an efficient water-supply wherever these were lacking. The effect produced by this measure upon the health of the common people was very considerable. In consequence of this and subsequent Public Health Acts the death-rate has steadily declined, and it may be asserted that the problem of enabling large numbers of people to live together in towns without detriment to health has been solved.

By the middle of the nineteenth century the long period of economic depression had definitely come to an end, and an era of great prosperity began. The gloomy expectations of the exponents of Classical Economics had not been fulfilled; the positive attempts at ameliorating the condition of the poor had not resulted

in making things worse. The volume of unemployment had sensibly diminished; the building and subsequent working of the railways had provided occupation for thousands of men on the railways themselves and in the iron, coal, engineering, and other industries which were concerned with meeting railway requirements. Though the improvement in social and economic conditions was generally held to be a vindication of the soundness of *laissez-faire* philosophy, humanitarians claimed that their success in dealing with social evils would justify them in calling upon the State to take further measures in the future, and that such State action was not inconsistent with national prosperity.

The third quarter of the nineteenth century, which has already been noticed as the golden age of English agriculture, was the golden age of English industry and commerce also. The gold discoveries in California and Australia assisted in bringing about a rise in the general level of prices which encouraged trade and industry. Exchange was facilitated during this period by the development of mechanical transport by land and sea. In some branches of industry Great Britain was not merely pre-eminent; she monopolised production. She was engaged in the Crimean War between 1854 and 1856, but apart from this she was concerned in only minor wars, while the attention of some of the European nations was mainly directed towards fighting. The Bismarckian Wars, which had for their aim the establishment of the German Empire, occurred between 1864 and 1871; France under Napoleon III was involved in a number of military undertakings; Italy was engaged in the struggle which culminated in her complete unification. Other countries were occupied in working out the form which their economic system should take. Under Alexander II, the Tsar Liberator, Russia freed her serfs, a process which necessitated a fundamental reorganisation of her agricultural system. Under Abraham Lincoln the United States resolved to free her slaves, a movement which was not carried out until after a Civil War which was to determine whether the Union would hold together or not. Great Britain was able to take advantage of the circumstances which distracted the attention of her competitors to build up her industry and trade still further, and to establish commercial connections in every part of the world. The prosperity of Great Britain during this period seemed to confirm the view, already well established, that the secret of continued prosperity was to be found in the application of the principles of *laissez-faire*.

Prosperity was succeeded by depression in the last quarter of

the nineteenth century. The change was sudden and the depression was profound. The worst effects were felt between 1873 and 1886; after the latter year some improvement was noticeable, but it was not until nearly the end of the century that it could be felt that the "Great Depression" had passed away. The Great Depression in agriculture has been described in another chapter, and need not be further referred to here, but some of the factors which contributed to depression in industry and commerce may be noticed.

The currency changes in Germany, France, and the United States, to which reference has been made elsewhere, assisted to bring about a drastic lowering of prices which had a detrimental effect upon all forms of agricultural, commercial, and industrial activity. The discovery of the possibility of working low-grade ore in South Africa at a profit led to the production of large supplies of gold from this source towards the end of the century; this ultimately neutralised the adverse effects of the monetary policy of the countries mentioned above.

On the continent of Europe the last quarter of the nineteenth century was generally peaceful, and the nations turned to industrial expansion. This was especially the case in the newly formed German Empire, in which great efforts were made to develop German industry and trade. In this development *laissez-faire* philosophy had no place; industry and commerce received the backing of the State. In 1879 Germany embarked upon a policy of high protection, and her example was followed by other countries, with results which were prejudicial to British trade.

The depression in the shipping industry during this period has been described in another chapter, but its causes may be briefly recapitulated. In several ways the effective tonnage afloat was increased. The opening of the Suez Canal shortened the trade routes to the East, and vessels could do two or three voyages in the time formerly occupied by one. Steamships, which were coming into general use, were not subject to the delays and mishaps which attended sailing ships, and their voyages could be timed with great accuracy. They were larger than sailing ships, they carried more cargo, and they were more economical to work. The substitution of steel for iron in the construction of ships and the evolution of new types of marine engine increased the cargo-carrying capacity of newly built ships. For some years the amount of shipping on the high seas was substantially in excess of the requirements of the world's trade. Freight rates fell to a point at which it was barely profitable to keep ships working, and many

older vessels were scrapped. This seriously affected the prosperity of Great Britain, since an appreciable part of her "invisible exports" was accounted for by the freights received for the use of her shipping in all parts of the world.

Technical changes in the production of steel, which have been described in another chapter, also affected Great Britain adversely. Very large amounts of capital had been sunk in the iron industry, and much of this had to be scrapped when the Bessemer process of making steel was discovered. The industry was reorganised at great expense, and, since non-phosphoric ores had to be imported, it no longer possessed the advantage of an abundance of suitable ore. It no longer had the monopoly of iron production which it had enjoyed earlier in the century, and, after the discovery of the Gilchrist-Thomas process of making basic steel, it had to face the competition of the German steel industry, based on the minette ores of Lorraine, and the growing steel industry of the United States. Moreover, steel was more durable than iron; steel ships, steel rails, and steel engines lasted longer than those of iron, and the demand for replacements was less. Further, the competitors of Great Britain had not to face the waste of capital which was involved in the reorganisation of the British industry; they were able to enter the race on level terms with Great Britain.

Royal commissions, parliamentary committees, conferences of business men, trade union officials, shipping magnates, and economists were set up from time to time to discuss the causes of, and to suggest remedies for, the depression which had fallen upon industry and trade. It is not necessary to consider here all that was proposed in the way of reducing overhead costs, overhauling methods of production, reducing wages, and establishing a bimetallic currency system, in order to overcome the depression and restore prosperity to the land. But politicians, business men, and economists alike could not fail to observe that Great Britain was holding to principles of *laissez-faire* which did not commend themselves to her competitors. In other countries economic activity was being assisted by the State in many ways; what was good for Germany and the United States could not, it was argued, be bad for Great Britain. There was a growing feeling that the Government ought to do for British industry and trade what the Imperial German Government was doing for German industry and trade. British statesmen did not accept this view at once; nevertheless, the end of *laissez-faire* was in sight.

CHAPTER XXXIV

THE DECLINE OF "LAISSEZ-FAIRE"

It has already been shown that the economic development of Great Britain during and for many years after the Industrial Revolution was profoundly affected by the general disbelief, among merchants, manufacturers, economists, and statesmen, in the value of the official regulation of economic activity. The recovery of Great Britain from the economic depression which followed the French Wars of 1793-1815 and her prosperity during the third quarter of the nineteenth century were generally attributed to the wisdom of British statesmen in refraining from interfering in what was held to be no concern of theirs. But this comfortable view was disturbed by the depression which characterised the later years of the century, and some people came to the conclusion that existing notions of economic policy ought to be revised. Industry and commerce were expanding in other countries with the assistance and encouragement of the State; it was felt that the British Government ought to come to the aid of British merchants and manufacturers.

This was not a movement for a return to Mercantilism. The mercantilist ideal had envisaged a limited amount of well-ordered trade, under definite State control, and conducted with a view to contributing to the strength of the nation, the prosperity of individuals being regarded as of secondary importance. What was now sought was State activity of another kind—assistance, support, defence, rather than regulation and control. Cheapness and abundance were still the desiderata of economic effort; expansion of industry and increase in the volume of trade were still to be the criteria of national prosperity.

Laissez-faire views declined slowly, however. There was a tremendous volume of opinion in the country opposed to the principle that British industry and commerce should be assisted by the State, and especially to the imposition of any sort of protective tariff on imported food or manufactured goods.¹ Successive

¹ In 1903 Mr. Joseph Chamberlain proposed the establishment of duties on imported manufactured goods and imported foodstuffs, and suggested that preferential duties should be conceded to colonial products. Many, though not all, of the members of the Conservative party associated themselves with Mr. Chamberlain's policy. At the general election of 1906 the Conservatives were heavily defeated. Less than one-fourth of the members of the new Parliament were Conservative.

Governments, too, were reluctant to move. Nevertheless, during the past fifty or sixty years there has been a steadily increasing amount of State activity in the economic sphere.

This activity has taken many forms, and much of it has been referred to already in other chapters. The reader will recall what has already been written on the various ways in which the State protects the health of the people. The extension of the application of factory legislation to many new industries, the formulation of special rules for dangerous trades, and the codification of factory law in 1901 have also been described in detail elsewhere.

Some further measures were taken in connection with conditions of labour. Shop assistants were protected from excessive hours of work by the passing of the Shop Hours Act of 1893, and the principle of a weekly half-holiday for shop workers was recognised by the Early Closing Act of 1904.¹ Action was taken on the problem of sweating—the gross underpayment of certain classes of workers. A committee of the House of Lords inquired into the question in 1888, and by the Factory Act of 1891 the occupiers of factories and workshops were compelled to keep lists of their out-workers for the use of factory and sanitary inspectors; the Act of 1895 ordered that these lists should be sent to the inspectors. These acts further ordered that employers should state the rates of wages paid. Such measures as these may be regarded as rudimentary attempts to deal with sweating dens, but they appear to have had little effect, and in 1900 Sir Charles Dilke tried to induce the Government to establish wages boards for certain trades. Public opinion was not really roused on the question, however, until 1906, when the *Daily News* organised an exhibition of “sweated” products. This was followed by the appointment of a select committee of the House of Commons to investigate the subject, which in 1908 reported in favour of wage regulation in certain industries. To the contention that some of these industries could not afford the payment of higher wages the committee replied, in words which deserve quotation, that “if a trade will not yield an income sufficient to enable those who earn it to secure at any rate the necessities of life . . . it is a parasitic trade, and it is contrary to the general well-being that it should continue.” By the Trade Boards Act of 1909 trade boards were to be set up in certain scheduled trades, in which current rates of wages were exceptionally low. The members of the boards were to be

¹ The Act of 1904 gave statutory sanction to a practice which was already widely prevalent on a voluntary basis. Its effect was to compel less enlightened employers to come into line with others.

appointed by the Board of Trade from lists submitted by employers and employees, and additional members might be added by the Board of Trade.¹ The trade board was empowered to fix for the industry minimum wages which were legally enforceable. Four industries—chain-making, box-making, lace-finishing, and the making of ready-made clothes—were scheduled in 1910 and trade boards were set up, while in 1913 six other industries were included in the scheme. A further Trade Boards Act passed in 1918 authorised the establishment of trade boards in any industry in which there appeared to be insufficient organisation for the regulation of wages. Trade boards were empowered to deal with hours of labour and other working conditions. In course of time about forty trade boards were established. The system was applied chiefly in industries in which trade unionism was absent or ineffective, and, if it did not achieve all that was hoped for on behalf of sweated workers, at least it protected them from the worst effects of unrestrained competition in the field of labour.

During the period under review many measures were enacted for increasing the security of life among the working classes. Before such legislation was passed workmen who were honest, sober, and industrious might be reduced to destitution through no fault of their own. In 1880 an Employers' Liability Act was passed, by which any workman who met with an accident while at work became entitled to receive compensation from his employer, provided that the accident was the result of negligence on the part of the employer or any other person who acted as manager or foreman. The Act was entirely ineffective, since it was decided in the courts that employees might contract out² of its provisions. The Workmen's Compensation Act of 1896 directed that compensation should be payable in all cases of accident arising out of employment, irrespective of any question of negligence; contracting out was forbidden, and the Act became effective. A further act on the subject was passed in 1906.³

The institution of Old Age Pensions in 1909 and the establishment in 1911 of schemes of National Insurance against sickness and unemployment contributed further to the protection of the

¹ The functions of the Board of Trade under the Trade Boards Acts have since been transferred to the Ministry of Labour.

² Contracting out was the practice of agreeing, when employment was begun, not to take advantage of the Act in the event of the occurrence of an accident. Employers sometimes refused to engage men who were unwilling to sign such agreements.

³ It became common for employers to cover the risks incurred under the Acts of 1896 and 1906 by insurance.

worker against the mischances of life.¹ The problem of unemployment was also dealt with by the Unemployed Workmen Act of 1905, which permitted local authorities to initiate schemes of employment on public works, and by the establishment of Labour Exchanges (since renamed Employment Exchanges)² in 1909.

Until nearly the end of the nineteenth century the settlement of labour disputes was invariably regarded as a matter which concerned employers and employees only, and one in which the Government could have no possible concern. Strikes and lock-outs were often fought to a finish. It came to be recognised in the twentieth century that, in the case of the more important industries at least, a third party—the public—was interested in a trade dispute. It was evident that a cessation of work in the coal mines, for example, would cause inconvenience to the general public and would affect nearly every industry in the country as well as coal-owners and coal-miners, and it was held that the Government, as representing the nation, was entitled to intervene in an industrial dispute. On other grounds, too, intervention might be justified. It could hardly be contended that an equitable settlement of points in dispute between masters and men could be arrived at when the determining factor was the starvation of the dependants of the men. In 1896, by the Conciliation Act, the Board of Trade was empowered to intervene, if requested to do so by the disputants, in a labour dispute, in order to bring about a settlement by arbitration or negotiation. Further steps were taken in 1908; in some industries panels of employers and workers were set up, so that in the event of a dispute members of an arbitration court could be appointed from these panels. During the war of 1914–18 the importance of avoiding disputes in establishments concerned with the production of munitions of war was so evident that compulsory arbitration was resorted to in these industries, and the Minister of Munitions was empowered to make awards which were legally binding on all concerned.

The Whitley Committee of 1916 made proposals for the avoidance, rather than the settlement, of industrial disputes. It did not

¹ The liability of employers to compensate workers in respect of accident and to contribute to the cost of unemployment and sickness insurance indicates the establishment of the principle that the "casualties" of industry should be a charge upon industry.

² These establishments have sometimes been regarded merely as offices at which the (miscalled) "dole" is paid to the unemployed. Their original purpose was to act as agencies for bringing employers and employees together, and they are still widely used in this way.

suggest the prohibition of strikes and lock-outs nor the establishment of compulsory arbitration, but it advocated the formation of Joint Industrial Councils in all important industries. Both sides would be adequately represented on such councils, and points in dispute would be referred to them; it was hoped that in the great majority of cases agreement would be reached as a result of discussion, thus avoiding the necessity of having recourse to strike or lock-out. The system received statutory approval in the Industrial Courts Act of 1919.

During the period under consideration the State devoted much attention to the improvement and extension of the education of the people. By the passing of the Elementary Education Act of 1870 an attempt was made to set up a national system of education. Under that act, School Boards were established in all places in which there was an insufficiency of school accommodation, and a few years later the attendance of children at school was made compulsory. In 1891 elementary education was made practically free, and from 1889 encouragement was given to technical education. The Education Act of 1902 abolished School Boards and transferred their property and functions to statutory committees, to be known as Education Committees, of the councils of counties, county boroughs, non-county boroughs, and urban districts. Under this act, too, were brought into existence the municipal and county secondary schools which have since become an outstanding feature of the English educational system. A further Education Act, passed in 1918, provided for improvements in the system, and by the Education Act of 1944 full-time attendance at school was, at some unspecified date, to be made compulsory to the age of sixteen.

At this point it is possible that the reader may be disposed to contend that the State activity which has been described was not of such a nature as to assist British industry, commerce, and agriculture to escape from the depression of the last quarter of the nineteenth century and to meet the intensified State-aided competition of other countries. The measures which have been referred to would appear to have imposed additional burdens upon the employing class. Further consideration of the question may, however, lead to the conclusion that improvement in the condition of the mass of the working classes should increase their efficiency, so that the cost to employers of higher wages, insurance premiums, and the like is more than balanced by increased output on the part of the worker. An operative who through excessive hours of work begins his day's toil unrefreshed, who is underfed,

and who, through fear of loss of wages, continues at work while he is unwell, is far less profitable to his employer than a vigorous, healthy, well-nourished man. Further, before the establishment of National Health Insurance, many of the more humane employers were in the habit of paying wages, in whole or in part, to their men in times of sickness, and to the extent to which they acted in this way they were at a disadvantage as compared with their less considerate rivals; nowadays, the burden of Health Insurance premiums is little or no greater to them, and their competitors have been compelled to fall into line. Nor is the extension of education at the expense of the State to all classes of the community a burden, without compensation, upon industry; the educated worker is more intelligent, and consequently more efficient, than his illiterate predecessor.

But the activity of the State in the period under review was not confined to the amelioration of social and industrial conditions; direct action was taken with a view to assisting British agriculture, industry, and trade. State action for the benefit of agriculture was limited in its scope; the measure desired by the majority of farmers, the imposition of a duty on imported wheat, was for many years outside the range of practical politics. But the establishment of the Board of Agriculture, the protection of tenant farmers from eviction without compensation for improvements, the enforcement of sanitary regulations for the prevention or suppression of contagious diseases among farm stock, the encouragement of agricultural education, and the exemption of agricultural land from the payment of rates (measures which have been described elsewhere in this book), indicated that successive Governments were aware of the unsatisfactory condition of agriculture and were willing to do what appeared to be practicable to assist it.

State action for the assistance of British trade took the form of protection against unfair competition. By the Merchandise Marks Act, 1887, it was made compulsory for the country of origin of foreign-manufactured goods imported into Great Britain to be indicated, in order that foreign goods might not be sold as of British production. The imitation of trademarks was made illegal. The Patent Act of 1907 dealt with the practice of foreign industrialists in taking out patents in Great Britain but manufacturing their goods abroad and sending them here; while this was permitted British manufacturers were prevented from competing in the production of such goods. The Act provided that such patents should lapse unless manufacture was begun in this country within a space of four years. The Commercial Intelli-

gence Department of the Board of Trade was established in 1900 for the purpose of supplying to merchants and manufacturers, through the *Board of Trade Journal*, information which would be of use in the development of British trade; such information was supplied to the Board of Trade by the consuls appointed to represent British interests in various parts of the world. In 1917 the Commercial Intelligence Department was replaced by the Department of Overseas Trade, which exercised more extensive functions and was under the joint control of the Board of Trade and the Foreign Office.

In no direction was the abandonment of *laissez-faire* principles more remarkable than in the attitude of Great Britain towards the British Empire. The Old Colonial System had been discredited by the loss of the American colonies, and, though many years elapsed before the regulation of colonial trade was formally abandoned, throughout the greater part of the nineteenth century the colonial empire was looked upon as a burden, an encumbrance, and a responsibility, rather than as an asset to Great Britain. The changed attitude of Great Britain to her colonies after 1870 was due to more than one circumstance. The development of mechanical transport—railways and steamships—facilitated communication between different parts of the British Empire, reducing the effective distance of the colonies from one another and from Great Britain.¹ The construction of railways made possible the penetration and settlement of continental interiors, so that colonisation was not limited, as in the eighteenth century, to small islands, coast strips, and the banks of large rivers. Again, other nations were striving to secure overseas possessions, especially in tropical regions, in order that they might supply raw materials for industry and offer markets for manufactured goods. The scramble for Africa took place in the last quarter of the nineteenth century; the eagerness of other countries to obtain possessions similar to those already held by Great Britain awakened in Englishmen a realisation of the potentialities of the British Empire.

The territories which are included in the British Empire fall, for the most part, into two groups. On the one hand are a number of self-governing Dominions inhabited mainly by white men;² on the other hand are many regions inhabited by semi-civilised or altogether barbaric races, which are ruled by English governors and officials.

¹ i.e. as measured by the time occupied in the journey from one to another.

² In the Union of South Africa the native population substantially outnumbered the white people.

The four "white" Dominions are, in the main, situated in the temperate zones of the globe, and their climate is such that Englishmen are able to settle and make new homes in them. These states were for a time under the supervision and control of the British Government, but as population increased and resources were developed they were entrusted with powers of self-government. Before the year 1875 responsible government had been established in Canada and Newfoundland, in Cape Colony, in all the Australian colonies except Western Australia, and in New Zealand. As stated above, while *laissez-faire* views were in the ascendant little interest was taken in these overseas possessions, and it was assumed that the large measure of self-government which had been granted to them was merely the preliminary to complete separation from Great Britain—that within a few years they would follow the example of the American colonies and become independent republics. Such a view was, perhaps, natural; nevertheless, it was unsound. The loss of the American colonies was due to the exercise of too much control, in ways resented by the colonists; there was no real ground for assuming that the almost complete cessation of control would have a similar result, unless, indeed, separation followed as a consequence of the lack of interest displayed in the colonies by the British Government and people. But during the last quarter of the nineteenth century the *laissez-faire* attitude which had prevailed so long gave way before a renewal of interest in colonial possessions.

For a time there was much speculation in the press and on political platforms on the possibility of Imperial Federation. A number of provinces had been federated to form the Dominion of Canada in 1867, and six separate colonies, each of which enjoyed responsible government, were linked together as the Commonwealth of Australia in 1900. Was it not possible to form some sort of federation of the more important self-governing colonies, together with Great Britain, to form a single political unit? The difficulties in the way of realising this ideal were so great that no responsible statesman ventured to put forward definite proposals for a political federation. Nevertheless, when in 1887 the Jubilee of Queen Victoria was celebrated in London, it was attended by the prime ministers of most of the colonies, and these gentlemen were able to meet and to discuss matters of common interest. This was the first colonial conference, and another was held ten years later, on the occasion of the Diamond Jubilee. The coronation of King Edward in 1902 afforded a third opportunity for a colonial conference, and the advantage of these meetings became so

evident that it was decided that they should in future be held with some degree of regularity, and without awaiting the occasion of some great State function. At a further conference held in 1907 it was resolved that the meeting of colonial premiers should be called an Imperial Conference and that it should be held in every fourth year. Apart from some disturbance of this arrangement during the war years it was adhered to for many years. During the latter part of the war of 1914-18 an Imperial War Cabinet, to which representatives of the Dominions were summoned, met occasionally.

Though, however, it was found possible to have no closer political union of the self-governing divisions of the British Empire ¹ than an occasional more or less informal meeting of premiers, whose decisions had no legal effect anywhere, it was found to be practicable to take steps towards the closer economic union of the Dominions with Great Britain and with one another. Improvement in communication was begun by the establishment of an Imperial penny postage in 1898; this was followed by the development of Imperial cables for telegraphs and telephones, and, in more recent years, by the setting up of Imperial broadcasting.

The Commercial Intelligence Department of the Board of Trade, to which reference has been made above, was active in regard to the development of British trade with the colonies as well as with foreign countries. In 1908 Imperial Trade Commissioners were appointed to reside in the chief Dominions; their duty was to advise British manufacturers and merchants, through the Board of Trade, of possible demand for British products in their respective areas. Only four trade commissioners were appointed at first; their number was afterwards substantially increased. On the other hand, consuls appointed by the British Government to foreign countries were instructed to foster the interests of Dominion and colonial as well as of British trade.

The passing of the Colonial Stocks Act in 1900 conferred a great benefit on colonial governments. Colonial government

¹ Imperial Federation, as understood in the latter part of the nineteenth century, has certainly not come nearer; on the contrary, it has receded. No federation of the chief component parts of the British Empire could be formed unless each member consented to forgo some part of its independence. The Statute of Westminster, 1931, recognised that the self-governing Dominions enjoyed full equality of status with each other and with Great Britain. The effect of this law is that the Dominions possess full independence. They are merely subject to the Crown in the same way as Great Britain is subject to the Crown.

stocks were included in the list of trustee stocks,¹ with the consequence that colonial governments were able to borrow in the London money market at rates substantially lower than hitherto.

For many years efforts were made to introduce preferential tariffs into inter-Imperial trade. The Dominions had endeavoured to foster their industries by the imposition of import duties of a protective character, and the establishment of lower tariffs for Imperial than for foreign trade was in their case a comparatively simple matter. But Great Britain could not grant a preference to her colonies² while she possessed no protective tariff. In 1903 Mr. Joseph Chamberlain, Colonial Secretary in Great Britain, proposed the imposition of a protective tariff on imported manufactured goods and on imported foodstuffs, in order that a preference might be granted to the colonies, but for many years no substantial progress was made in the task of converting public opinion. Preferences were first granted to Great Britain by Canada in 1897, and the Canadian example was followed by other Dominions a few years later. Most of the preferences now in force apply mutually as regards different parts of the empire.

During the war of 1914-18 Great Britain abandoned her strict free-trade policy for other than economic reasons. Duties, commonly known as the McKenna duties, were levied on certain classes of imported goods (including motor cars, cinematograph films, clocks, and watches) in order that the amount of trade in these commodities might be reduced. This was done for the double purpose of improving the foreign exchanges and of reducing the amount of shipping which was being employed in trade of a luxury nature. These duties were retained after the war, and in 1919 a preference of one-third was conceded on these goods if of colonial origin. Preferences were also granted on colonial tobacco, sugar, tea, and some other commodities, on

¹ Trustees who are charged with the investment of money are by law limited in their choice of stocks to a list of securities known as the trustee list (unless they are directed otherwise by the terms of the trust). As the amount of trust money seeking investment is usually considerable, the limitation of this list to a few stocks had the effect of increasing their price and, consequently, of reducing the actual interest which could be earned. By the inclusion of colonial government stocks in the trustee list these governments were able to save many millions every year in their interest charges.

² Though for many years no direct trading preference was granted by Great Britain to her colonies they enjoyed a valuable financial preference as the result of the Colonial Stocks Act.

which duty was levied for revenue purposes. In the autumn of 1931 Great Britain reverted to a policy of protection, and in 1932, after an Imperial Economic Conference at Ottawa, a scale of preferences on goods of colonial origin was arranged.

The tropical provinces of the British Empire include islands in the West Indies, colonies in Central and South America, Malaya, and large parts of the African continent. Some of these regions are not suitable for settlement by white men, and in these the European inhabitants include merely the officials who are concerned with carrying on the government, engineers in charge of public works, missionaries, and the representatives of banks and commercial houses. Such people may live in a tropical country for a number of years, but they do not make permanent homes there. They spend occasional holidays in Great Britain, and at the end of their period of service they return to this country. These tropical possessions are valuable to Great Britain since they supply her with many commodities otherwise unobtainable, or to be secured elsewhere only in small quantities and with difficulty. Such foodstuffs as tea, coffee, cocoa, sugar, oils, and spices, and such raw materials for British industries as cotton, jute, hemp, and rubber, are obtained from tropical regions. To an increasing extent the tropical possessions of Great Britain offer markets for her manufactured goods.

While the scramble for Africa was taking place, towards the close of the nineteenth century, Great Britain appeared to be reluctant to take part in it officially. A policy which was prevalent two or three centuries earlier was revived: companies were formed which received from the Crown charters by which privileges were conferred upon them, and these companies took possession of extensive regions, in Africa and elsewhere, with a view to their development. The British North Borneo Company (1881), the Royal Niger Company (1886), the British East Africa Company (1888), and the British South Africa Company (1889) were among those which came into existence at this time. They established claims over territory which in course of time was annexed by the Crown. The defenders of the principles of *laissez-faire* were unable to object on doctrinaire grounds to this policy, since private enterprise and private capital were engaged in these extensions of British influence. Yet, after these undertakings were begun, withdrawal was impossible without detriment to British prestige. If British interests were threatened in any direction, or if development proceeded to such a point that it was no longer possible to

leave the area under the control of a company, the British Government was bound to step in and support or supersede the company.

During the twentieth century the policy of *laissez-faire* towards tropical possessions has been discontinued in several ways. The economic development of these regions has necessitated the spending of money on roads, harbour works, irrigation works, bridges, and public buildings. It has not always been possible to raise capital for such purposes in the open market, and the British Government has at various times either provided money or guaranteed the interest on loans. Thus, with British financial assistance, interiors have been opened up, barren regions have been rendered fertile, crops have been raised, and trade has been developed.

The tropics have in the past been notoriously unhealthy for white men to live in. Tropical diseases of various kinds¹ have exacted a heavy toll of human life. Within the past half-century the study of tropical medicine has been undertaken, and State assistance has been given to the maintenance of research laboratories in which the causes of tropical diseases and the appropriate measures for their treatment have been investigated. An advisory committee has been set up to assist the Colonial Office in matters relating to health in the tropics. In addition to purely medical work, operations of a preventive character, such as the establishment of draining schemes and of campaigns against mosquitoes, have been carried on.

Attention has been directed to the improvement of tropical agriculture. The British Cotton-Growing Association, to whose work reference has been made elsewhere, received for a time a State grant of £10,000 per annum for the purpose of enabling experiments to be made in the production of cotton in regions in which it was hitherto unknown. Improved methods of land drainage, of irrigation, of cropping, and of dealing with parasites, have been attempted in connection with various tropical products, such as sugar and tobacco, while experiments have been made with different types of seed.

What has been written is sufficient to indicate to how great an extent *laissez-faire* principles have declined in British administration, especially since the beginning of the twentieth century. After the financial and economic crisis of 1931 State intervention in industrial and commercial activities became even more pronounced than before. The system of free trade was abandoned,

¹ Such diseases include yellow fever, malaria, sleeping sickness, plague, and beri-beri.

a general tariff was imposed in order to reduce the volume of imports, and steps were taken to assist industry. The war of 1939-45 necessarily involved the closest Government control over nearly every aspect of national life, and the measures taken after the war were of such a nature as to show that the principles of *laissez-faire* had been finally discarded.

CHAPTER XXXV

AFTER THE WAR OF 1939-45

As Great Britain was at war with Germany and other countries between 1939 and 1945 the Parliament which had been elected in 1935 was not dissolved until after the German surrender. In July, 1945, a general election took place, and it resulted in the return of a large majority of Labour members to the House of Commons. Mr. Churchill, Prime Minister during the war, resigned, and a Labour Government was formed, with Mr. C. R. Attlee as Prime Minister. The immediate task of the new Government was to attempt to re-establish the economy of the nation on a peace-time footing. In addition, it embarked upon programmes of nationalisation of some of the principal industries of the country, and of social and other measures designed to improve the standard of life of the common people. Many of the measures of the Government were highly controversial. It is not proposed to set out in this chapter the arguments put forward for and against them, but merely to state in outline what the Government has attempted since it assumed office.

When the war began in 1939 British industry was by no means prepared for war, and the adaptation of factories which were normally engaged in the manufacture of useful goods to the production of munitions of war was not fully completed for two or three years. After the war the reverse process had to be undertaken. Mr. Attlee's Government held the view that in some of the most important industries of the country a return to the pre-war system of private enterprise and control was undesirable and even impracticable, and it was decided that such industries should be nationalised.

Reference has been made in other chapters to the nationalisation of the Bank of England, which was little more than the formal acknowledgment of a state of affairs which had long existed unofficially, and to that of the coal mines, for which the miners had been desirous for many years and which had been recommended by the Sankey Commission as far back as 1920.

The general plan adopted by the Government in most of its nationalisation proposals was the establishment of a Central Board consisting of a chairman and a number of other members, all appointed by the appropriate minister, to maintain control over

the industry. In some industries a number of subordinate boards, subject to the Central Board, were set up to exercise more immediate control in their respective spheres or areas, and advisory committees, representative of various interests and independent of the boards, were appointed, so that the minister might have the benefit of their views on various questions that might arise. This scheme was followed in the nationalisation of the coal mines (except that no Regional Boards were established); advisory councils representing industrial users and domestic users of coal were appointed; and the whole organisation was under the authority of the Minister of Fuel and Power.

For the nationalisation of the electricity industry a British Electricity Authority, consisting of a chairman and eleven other members, was set up, together with fourteen Area Boards; this also was under the authority of the Minister of Fuel and Power. The central authority was to develop the supply of electricity, while the Area Boards were to arrange for its distribution throughout their areas. The scheme came into operation in April, 1948.

Transport was nationalised by the Transport Act of 1947. A British Transport Commission, to consist of a chairman and four other members, was to be appointed by the Minister of Transport. It was to take over all forms of transport (except by air) in the country, and various activities subsidiary to the great transport undertakings were to pass under its control. Five Executive bodies, each consisting of a chairman and from four to eight other members appointed by the Minister were to exercise more immediate control in their respective spheres; they were the Railways Executive, the Road Transport Executive, the Docks and Inland Waterways Executive, the London Transport Executive, and the Hotels Executive. The transfer from private to public ownership took place at the beginning of 1948.

The British gas industry was brought under public ownership by the Gas Act, 1948. The central authority set up under the Act was to be a Gas Council, which would advise the Minister of Fuel and Power and would assist the Area Boards in the discharge of their functions; it was to be more of an advisory body than the British Electricity Authority, and there was to be a greater degree of decentralisation than was contemplated under the electricity scheme. The Gas Council was to consist of a chairman and deputy-chairman appointed by the Minister, together with the chairmen of the Area Boards. These boards were to be twelve in number, each containing from seven to nine members, all appointed by the Minister. Responsibility for the manufacture

and distribution of gas was to lie not with the Gas Council but with the Area Boards, which were to act under the general direction of the Minister. A scheme for the establishment of Consultative Councils, representative of various interests, was included in the Act, and provision was made for consultation and co-operation between the Area Boards and the National Coal Board. Over a thousand gas undertakings were to be taken over by the authority; about one-third of these had been owned and managed by local authorities and the remainder by private companies.

The general plan followed in other schemes of nationalisation was slightly modified in the field of Civil Aviation. Not one, but three, organisations were established—British Overseas Airways Corporation, British European Airways, and British South American Airways. They were to operate all British air services throughout the world, and they were to work under the direction of the Minister of Civil Aviation. Air transport aerodromes also were to be nationalised. An Air Transport Advisory Council was set up to advise the Minister on fares, travel facilities, safety precautions, and other matters.

The nationalisation of the iron and steel industry has been under consideration by the Government, but no announcement of its intentions has been made up to the time of writing.

In the view of the Government, British Imperial telecommunications, which hitherto had been in the hands of Cable and Wireless Ltd. should be publicly owned. Cable and Wireless Ltd. was a company most of whose shares were held by a number of overseas telegraph companies. (It was, in effect, a merger of these companies.) The Government, which already held about one-twelfth of the shares, decided to acquire the remainder of the share capital, giving compensation to the shareholders. The organisation would continue in existence as a State-owned concern; its directors would be appointed by the Treasury, and it would be subject to the control of the Postmaster-General.

It was not the intention of the Government to nationalise all the industries of the country, but it was felt that many of those which were to be left under private control were not fully efficient. (This was not necessarily a criticism of the management of these industries, which were in most cases hampered by adverse conditions consequent upon the war.) Working parties, consisting of representatives of employers and workers and other interested elements, were set up in many industries, and it was a distinctive feature of each working party that its chairman was a person distinguished in some walk of life other than in the industry with

which the party was concerned. The function of a working party was to investigate the conditions prevalent in the industry and to examine schemes and suggestions for improvements in its organisation and methods of production and distribution. Working parties were set up in connection with cotton, pottery, furniture, hosiery, boots and shoes, linoleum, clothing, carpets, jute, wool, china clay, jewellery and silverware, cutlery, lace, glassware, and milk. In course of time they reported to the President of the Board of Trade; some of their suggestions could be put into operation by general agreement and others by administrative order, while yet others would require legislative sanction.

The importance of agriculture in the national economy was recognised by the Government, and measures (which have been described in an earlier chapter) for maintaining and expanding the production of home-grown foodstuffs and for increasing the output of dairy produce were put forward.

Mr. Attlee's Government was concerned not only with the nationalisation of some industries and with increasing the efficiency of others but also with schemes of social amelioration. The Family Allowances Act of 1945, which came into force in August, 1946, provided for a weekly payment to the mother of a family in respect of each child after the first; the allowance was payable until the child left school at the age of fourteen, and was continued until he was sixteen if he was still being educated. The National Insurance (Industrial Injuries) Act, 1946, prescribed improvements in the terms of compensation to workmen who were injured, and to their dependants if they lost their lives in the course of their employment. Other important acts, the National Health Service Act, the National Insurance Act, and the National Assistance Act, have been dealt with in former chapters.

Important as were the measures, industrial and social, which have been described so far, by themselves they were insufficient to restore the economy of a country whose resources had been expended without stint in war. Before the war the visible imports of Great Britain had substantially exceeded the visible exports in value; the balance was restored by "invisible" exports, which consisted of dividends and interest on British capital invested abroad, of the earnings of the British mercantile marine in carrying cargoes for other countries, and of financial services rendered to the rest of the world by British banks and discount houses. (London was the world's financial centre; bills of exchange in various countries were drawn upon London and passed through London.) The financial burden of the war led to

the sale of British investments abroad, and the destruction by the enemy of a considerable part of the British merchant navy reduced the amount of the earnings of the carrying trade.

It became clear that the value of British invisible exports would for many years be much less than formerly, and that the gap between the visible imports and exports would have to be filled by a substantial increase in the latter. It could not be expected that this would be achieved at once, but great efforts were made to produce goods for foreign trade, and restrictions which had existed during the war upon the supply of goods to the people of Great Britain were continued after the war. To assist Great Britain during this period of transition the United States in 1946 granted a credit of 3,750,000,000 dollars. It was expected that this credit, popularly termed the American loan, would last for five years, and that by the end of this period British economy would be fully restored. But two unfortunate conditions were attached to the credit. It was stipulated that Great Britain should not reduce her purchases from America and at the same time increase them from the Dominions, and it was also laid down that after 15th July, 1947, Great Britain should make dollars and sterling convertible for all nations.

The effect of these two provisions was most serious. The credit approached exhaustion much more quickly than had been expected, and in the spring of 1947 it became necessary to reduce certain imports (tobacco and films and some other things) from the United States; yet under the terms agreed upon it was not permissible to make up the deficiency from Commonwealth sources. After 15th July, 1947, there was a further heavy drain upon the dwindling British supply of dollars to meet the demands of other countries, and in August, 1947, with the credit almost at the point of exhaustion, Great Britain had to suspend the convertibility of sterling into dollars.

At the time of writing this chapter the country is faced with an economic crisis of extreme gravity, and measures to deal with it have been announced by the Government. It is evident that the austerity to which the British people have been subject since the outbreak of war in 1939 will continue for several years. There is full ground for confidence that they will meet and overcome their immediate difficulties and that in course of time the prosperity of Great Britain will be fully restored.

In 1948 further American aid was accorded to Great Britain and other countries of Western Europe under the terms of the Marshall plan.

SUMMARIES

SUMMARIES

1. THE MANORIAL SYSTEM

ORIGIN:

Obscure. Probably two types of influence contributed to its development.

(1) Roman. The vill. Slave labour.

(2) Teutonic. The mark. Owned and cultivated by free men.

THE MANOR:

Large estate, consisting of a single village with an extent of land round it.

N.B.(1) Enclosed by quickset hedge.

(a) Protection from robbers or wild animals.

(b) Boundary, marking it from adjacent manors or from wilderness.

(2) Some manors in the west of England, pastoral in character, contained scattered hamlets instead of a single village.

LORD OF THE MANOR:

The holder, or tenant, rather than the owner. No absolute ownership except by the King.

(1) *The King*. Crown lands extensive. Occasionally diminished by grants, or increased by escheats and forfeitures.

(2) *Lay Lords*.

(a) Great nobles. With many manors, scattered throughout the country.

(b) Lesser lords. With one or two manors. (Country squires.)

(3) *Ecclesiastics*. Bishops, abbots, etc. Extent of Church lands tended to increase.

THE VILLAGE:

Manor-house. Timber or stone. Hall and other rooms. Out-buildings.

Cottages. Wood or wattle. One or two rooms. Thatched roof. Earthen floor.

Church.

Priest's House.

Mill.

MANORIAL IDEAL:

Self-sufficiency. Never attained, but the reduction of external trade to a minimum was a sign of good management.

Food, clothing, building materials, produced within the manor.

Articles from outside:

Silks, laces, ribbons, etc.

Needles and thread.

Nails.

Iron and steel implements and weapons.

Salt and tar.

Surplus produce of manor sold in markets of neighbouring towns.

NATURAL ECONOMY:

Exchange of products within manor, without use of money.

Money came into use:

(1) In selling in neighbouring markets.

(2) In buying from pedlars.

CLASSIFICATION OF MANORIAL LANDS:

(A) *According to possession:*

(1) Demesne (inland). Lord's land.

(2) Villenagium (outland). Land of serfs.

(3) Holdings of free men within the manor.

N.B. In strict law, villenagium belonged to the lord, and was regarded as part of demesne.

(B) *According to use:*

(1) Arable. Two or three fields. Divided into furlongs (shots). Subdivided into strips. Uncertainty of origin of strip system.

(2) Meadow. For hay.

(3) Closes. For advanced cultivation, or for hay.

(4) Champion, or waste:

(a) Common pasture. With or without stint.

(b) Rough pasture.

(c) Woodland.

INHABITANTS:

Free:

Lord (unless non-resident).

Bailiff.

Priest.

Free men:

(a) *Liberi homines*.

(b) Socmen.

Unfree:

Serfs:

(a) Villeins.

(b) Bordars, or cottars.

Slaves. Few. Absorbed into bordar class soon after the Conquest.

SERFS:

Rights. Customary, not legal.

(1) House and garden.

(2) Holding of land. Usually 30 ac. for villein. Less for bordar.

(3) Share in hay harvest.

(4) Grazing cattle on common pasture.

(5) Sending pigs to grub for acorns.

(6) Cutting wood for house, furniture, implements, and fuel.

(7) Holidays on holy days.

Obligations. "Uncertain."

- (1) Week-work. Often ploughing.
- (2) Boon-work.
- (3) Cartage.
- (4) Occasional payments in kind or money.

Disabilities :

- (1) Not to leave manor. (Chevage.)
- (2) To grind corn at village mill.
- (3) Not to sell ox or horse.
- (4) No education.
- (5) Payment of merchet on marriage of daughter.
- (6) Fine and heriot on succession.
- (7) Subject to manorial courts.
- (8) Liability to tallage.
- (9) Could not sue lord in King's courts.

Bordars (cottars) :

- (1) Legal equality with
Economic inferiority to } villeins.
- (2) Less land.
- (3) Owned neither ox nor plough.
- (4) Week-work for one day per week.
- (5) Wage-labour in spare time.
- (6) Manorial artisans.

Freedom :

- (1) By manumission
- (2) By purchase
- (3) By ordination
- (4) By flight. Frequent in later Middle Ages.
- (5) By commutation of services. See chap. iv.

General position :

Not usually oppressed. Fair degree of prosperity. Economic stability. Free status in relation to everybody except the lord of the manor.

Indications of servile status :

- (1) Liability to payment of merchet and chevage. Not conclusive in itself.
- (2) Subjection to tallage.
- (3) Inability to sell oxen without lord's consent.
- (4) Liability to service as reeve.
- (5) Uncertainty of services.

FREE MEN :**Distinction between socmen and liberi homines :**

- (1) Socmen could not sell land without consent of lord.
- (2) Socmen subject to jurisdiction of manorial courts.

Distinction between free men and serfs :

- (1) If free men rendered a labour rent to lord, the obligation was "certain."
- (2) Free men could leave the manor.
- (3) Free men could sue the lord of the manor in the King's courts.
- (4) (Usually) Free men not liable to payment of merchet.

ENGLISH ECONOMIC HISTORY

N.B. (a) These points not altogether conclusive. Examples to the contrary are occasionally found.

(b) Little or no difference in economic position between free men and prosperous serfs.

MANORIAL COURTS:

Held periodically by lord or steward.

Attendance of all who were subject to manorial jurisdiction.

Petty offences

Breaches of manorial custom } punishable by fine.

Transfers of land registered in court roll.

Proceedings of court based on custom of manor, which might be declared by juries empanelled for this purpose.

MANORIAL AGRICULTURE:

(1) Two-field or three-field system. Rotation. Fallow year.

(2) Poor yield. No manuring.

(3) Cattle pastured on arable after harvest. (Common of shack.)

(4) Produce of demesne consumed by lord and his retinue, or sold.

(5) Ploughing.

FARM STOCK:

(1) Animals small and of poor quality. Disease. No selective breeding.

(2) Oxen for draught.

(3) Sheep subject to scab. Light fleece.

(4) Pigs and poultry numerous.

(5) Problem of winter feed.

MANAGEMENT OF MANOR:

Steward:

Supervised several manors.

Bailiff:

Responsible to steward.

Reeve:

Supervised week-work.

Hayward:

Supervised boon-work.

GENERAL CHARACTERISTICS OF MANORIAL SYSTEM:

(1) Universality.

(2) Great degree of uniformity of organisation and working, with diversity of detail.

(3) Subjection to a lord.

(4) Organisation for tillage.

(5) Cultivation for subsistence and not for marketing.

(6) Ideal of self-sufficiency.

(7) Prevalence of custom.

(8) Cultivation of demesne by labour of serfs.

DEFECTS OF OPEN-FIELD SYSTEM OF CULTIVATION:

(1) Impossibility of experiment and improvement.

(2) Spread of weeds.

(3) Boundary disputes.

(4) Waste of time.

2. TOWNS AND TRADE IN THE MIDDLE AGES

MEDIEVAL TOWNS:

Few and small. Most of them were really large villages. Retained many rural characteristics. Wall in place of hedge.

STAGES IN URBAN DEVELOPMENT:

- (1) Enlarged village.
- (2) Acquisition of charter. Merchant gild.
- (3) Further growth. Craft gilds.
- (4) Still further growth. Capitalist industry.

CIRCUMSTANCES FAVOURING URBAN DEVELOPMENT:

- (1) Roman site. Building materials.
- (2) Junction of roads or rivers, or of road and river.
- (3) Harbours, or head of navigation on rivers—for ports.
- (4) Proximity of cathedral or monastery.

CHARTERS:

From the King, or from the lord of the manor. Privileges. No uniformity.

Included, usually:

- (1) *Firma burgi*.
- (2) Borough court.
- (3) Personal freedom.
- (4) Merchant gild.
- (5) Market or fair.

MARKETS:

Right:

Granted by Crown to

- (a) Town authorities, or
- (b) Single person, or
- (c) Church.

Or (d) Might be retained by Crown.

Profits:

From Tolls.

Stallage.

Importance:

For sale and purchase of goods. Bargains before witnesses.

Period:

Daily in London. Weekly elsewhere (with some exceptions).

FAIRS:

Period:

Annual, though two or more fairs might be held in one town.

Ecclesiastical connection:

Church patronage.

Saint's day.

Origin associated with pilgrimages.

Right:

Grant from Crown.

Business :

Of special character, with some general business.

Control :

Officers of the fair.

Piepowder Court :

Prompt settlement of disputes. Law Merchant.

Importance :

A few fairs of great renown. Most fairs of only local repute.

MERCHANT GILD :

An association of merchants living in a town, for mutual benefit and protection, and for the acquisition of special privileges.

Membership :

Not identical with burgher's roll. Some outsiders were members. Some burghers were not.

Privilege :

Monopoly of trade within the town. Strangers might visit the town to sell, wholesale, and on payment of tolls, to gildsmen.

Principles of medieval trade :

Fair trade at customary prices. Profit should be reasonable. No variation in prices in consequence of scarcity or glut. Prohibition of forestalling, regrating, and engrossing.

Regulation of trade :

Inspection by gild officials. Punishment for offences by fine, or loss of gild.

*Right of lot.**Payment of debts.**Commercial agreements.**Philanthropic and religious work.**Organisation :*

Alderman and wardens.
Morwenspeches. Banquets.
Gild Court.

Relationship with town government :

Not identical. Close connection. In some cases indistinguishable. No opposition of interests.

3. CRAFT GILDS**DEFINITION :**

Associations of skilled workmen who were engaged in the production of goods.

FORMATION :

- (1) Tendency of men of like aims to associate.
- (2) Insistence of town authorities.

CONTROL OF INDUSTRY :

In hands of gild. Membership compulsory. Gild subject to authority of town (gild merchant). But some craft gilds obtained charters from the Crown.

AIM OF GILD:

To maintain high standard of production and to secure reputation for fair dealing.

ORGANISATION:

Wardens. To supervise work and to inspect products. Punishment for offences by fine, stocks, pillory, loss of gild.

Council.

Assembly. Made regulations.

GRADES OF ARTISANS:

Masters, journeymen, apprentices.

All worked together. Different stages in career.

All lived together in master's house. Discipline.

APPRENTICESHIP:

Normal method of entering craft. Training moral and religious as well as vocational.

Length of apprenticeship varied. London custom, seven years.

Enrolment. Possible change of master.

Restriction of numbers by gild regulation:

(a) Status of parent.

(b) Direct limitation.

RELIGIOUS AND PHILANTHROPIC WORK:

(Sometimes by special organisation within gild.)

Church. Altar of patron saint.

Mystery plays.

Sick and needy members.

Widows and orphans.

Almshouses and schools.

RELATIONS:

Of Gildsmen to one another:

Fraternal. Mutual assistance. Not to take advantage of one another. Gild to settle disputes.

Of Gild and Gild:

Friction sometimes arose, especially in settling line of demarcation between crafts.

Of Craft Gilds and Merchant Gild:

Possible views—some element of truth in each:

(a) Antagonism. Poor craftsmen *v.* rich merchants.

(b) Dual membership. Many men were both craftsmen and merchants.

(c) Succession. With growing complexity of economic organisation, gild merchant tended to split into craft gilds.

Of Masters and Journeymen:

No real opposition of interests while gild system was at its height.

No wage question. Journeymen expected to become masters.

Complaints of Journeymen (in later history of gilds):

(a) Diminishing prospect of becoming masters.

(b) Wages and conditions of labour.

(c) Restrictions on indentures of apprentices.

(d) Excessive number of apprentices.

(e) Inferior status of journeymen in the gild.

Complaints of Masters :

Journeymen idle, drunken, dissolute.

Journeymen Gilds :

Hostility of craft gilds. Inferior in membership and resources.
Aloofness of best men in craft.

CHANGING OUTLOOK OF GILDS:

Towards close of Middle Ages.

- (1) Self-interest, rather than maintenance of reputation for fair dealing.
- (2) Restrictions upon entrants. Heavy fees.
- (3) In some cases, journeymen debarred from mastership.
- (4) Livery. Court of assistants.
- (5) In some cases, sale of gild products monopolised by liverymen.

DECLINE OF GILDS:

- (1) Selfishness of outlook hindered industrial development.
- (2) New towns. Free from gild authority.
- (3) Spread of industry beyond walls of old towns, and into villages. Freedom from gild control. Inferiority of skill of village craftsmen. No regular training.
- (4) Plundering of gilds in reign of Edward VI. Survival of London Companies.

GILDS AND TRADE UNIONS:

No historical continuity.

<i>Gilds</i>	<i>Trade Unions</i>	<i>(Comment)</i>
(1) Local.	(1) Nation-wide.	(1) Natural result of change from local to national economy.
(2) Masters and workmen.	(2) Workmen only.	
(3) Identity of interest.	(3) Antagonism of interest.	(3) Not always true. Frequent co-operation.
(4) Religious and philanthropic activity.	(4) No such activity.	(4) Friendly benefits given by older unions.
(5) Reputation of craft.	(5) Interests of members.	(5) Trade unions not indifferent to public interest and to reputation of craft. Gilds also selfish (in their later history).

4. THE BREAK-UP OF THE MANORIAL SYSTEM

The most vital feature of the Manorial System was the cultivation of the demesne by unfree labour. Forces which weakened the connection of the serfs with the demesne tended to break up the system.

(A) COMMUTATION :

The substitution of money payments for servile labour.

Conditions necessary for Commutation :

- (1) Supply of money. Commutation impossible in remote manors where money did not circulate.
- (2) Familiarity with use of money. By attendance at markets and fairs.
- (3) Surplus produce, which could be disposed of for money. Commutation occurred earliest among prosperous villeins, in manors close to towns.

Advantages to Lord :

- (1) Hired labour more efficient than that of serfs.
- (2) Expenses of estate management reduced.
- (3) Less hired labour than servile labour required.

Advantages to Serf :

- (1) Improvement in status. Substitution of a certain for an uncertain obligation. Step towards complete freedom.
- (2) Fixed character of payments. To advantage of serf, especially over long periods of time.

Process of Commutation :

Not all services at once. Opposition of interests of lord and serf.
First, occasional obligations commuted.
Then, week-work.
Finally, cartage and boon-work.

Wage-labour :

Supplied by bordars,
younger sons of villeins,
new-comers to manor.

Progress of Commutation :

- (1) Steady, until mid-fourteenth century. At that time, existed in less than half the manors of the country.
- (2) Black Death. Rise in wages of labourers. Lords reluctant to grant further commutation. Serfs more fully conscious of value of labour.
- (3) Peasant Revolt. (Statement of causes on p. 43.) Suppressed.
- (4) Further commutation, since refusal of lords to grant it resulted in escape of serfs.
- (5) By 1450, commutation usual.
By 1500, commutation general.
Some survivals till t. Elizabeth.

Villein Status :

Remained long after liability to personal service had ceased. Means of financial extortion (reliefs, heriots, merchet, chevage).
Courts presumed freedom in doubtful cases.
Pigg v. Caley.

1617.

Copyholders :

Descendants of serfs held their lands by virtue of a copy of an entry in the manorial roll. Paid quit-rent (quittance for services). Not a competitive rent (based on value of land). Quit-rents could not be varied.

(B) ALIENATION OF DEMESNE:*Cause:*

Labour difficulty.

Stock-and-land lease:

- (a) Lord leased demesne to any one (e.g., bailiff or prosperous villein) who would take it and pay a rent (money or kind) for it.
- (b) Lessee had no capital. Land equipped by lord with stock, implements, seed-corn, etc.
- (c) Rent competitive. Based on value of land. Could be varied when lease was renewed.
- (d) Lessee was a farmer. (A fixed payment was a "ferm.") Leasehold tenure.
- (e) System lasted about 150 years.

Ordinary lease:

Replaced stock-and-land lease. In any one case, in about fifty years. Leaseholder had found the venture profitable. Had been able to accumulate capital.

Demesne might be divided into several farms.

TYPES OF LAND TENURE:

Freehold. Absolute possession, under the Crown. Protected by the courts from eviction.

Copyhold. Subject to payment of quit-rent, fine upon succession, heriot, etc. Protected by the courts from eviction by end of sixteenth century. Land usually in open fields.

Leasehold. Term of years. Competitive rent. Land usually consolidated and enclosed.

(C) ENCLOSURE FOR SHEEP-FARMING.*Causes:*

- (1) Brisk demand for wool, at home and abroad.
- (2) Less labour required. Labour shortage. Rising wages.

Stages:

- (1) Consolidation of demesne, by exchange of strips.
- (2) Enclosure of waste.
- (3) Expulsion of serfs, and seizure of open fields.
- (4) Purchase of holdings of free men.

Extent of movement:

Confined to east and east-midland counties, and to a minority of manors within them.

(D) DECLINE OF MANORIAL COURTS:

- (1) With the spread of commutation there were fewer offences against manorial custom.
- (2) Extension and enforcement of royal jurisdiction.

THE AGRARIAN SYSTEM BY END OF FIFTEENTH CENTURY:

- (1) Open-field cultivation continued in the majority of manors.
- (2) Villein labour nearly extinct.
- (3) Wage-labour.
- (4) Demesne replaced by large enclosed farms held on lease. Lord of the manor, a rent-receiver, often non-resident.

- (5) Pasture replaced tillage in some manors.
- (6) Money economy in place of natural economy.
- (7) Diminished force of custom.
- (8) Growth of the competitive spirit.

5. THE GROWTH OF THE MANUFACTURE OF WOOLLEN CLOTH

STAGES OF INDUSTRIAL DEVELOPMENT:

- (1) *Home*. For home use. Not for sale.
- (2) *Gild*. Craftsmen worked to order.
- (3) *Domestic*. Work by hand in homes of workers.
Capitalist employer.
- (4) *Workshop*. Work by hand in premises of employer.
- (5) *Factory*. Power-driven machinery.

HOME INDUSTRY:

Early. Cloth produced for family use. This stage of the industry comparable to manorial agriculture.

GILD SYSTEM:

Weavers' Gilds:

Time of Henry I.

Aulnagers:

Appointed to supervise and certify length and quality of cloth.

Export:

th
ent. Cloth of inferior quality. Export encouraged by the three
Edwards, but declined in face of foreign competition.

Immigration of Flemish weavers:

Improvement in quality of cloth. Friction between English and
alien weavers. Sometimes separate gilds.

Capital:

Some of the Flemings were capitalists. Employed workers.
Purchased sheep-runs to ensure supply of wool.

DOMESTIC SYSTEM:

Under control of capitalist clothiers until eve of Industrial Revolution.

WORKSHOP SYSTEM:

Occasionally appeared, though it did not replace Domestic System
before Industrial Revolution.

CLOTHIERS:

v. Workers:

Wage question.

v. Independent weavers:

Charges of engrossing, and marketing inferior cloth.

v. Merchant Adventurers:

On the question of dyeing.

6. THE GROWTH OF ENGLISH OVERSEAS TRADE**EARLY TRADING CONNECTIONS:**

- (1) Offa and Charles the Great.
- (2) Danes. Trade with northern Europe.
- (3) Norman Conquest. Trade with France and Netherlands.

MEDIEVAL TRADING CONNECTIONS:*Alien merchants in England:*

- (1) Tolls.
- (2) Limitation of visit to forty days.
- (3) Wholesale only.
- (4) Supervision of English merchants.
- (5) To buy as well as to sell.
- (6) Crown protection. Friction between Crown and towns.

Hanse Merchants:

- (1) Import of furs, herrings, tar.
- (2) Export of wool, cloth, leather.
- (3) Special privileges:
 - (a) Exemption from most of above restrictions.
 - (b) Preferential tariffs.
 - (c) Depots, e.g., Steelyard.

Gascon wine trade:

Political connection of Gascony with England.

Venetian trade:

- (1) Spices from the East.
- (2) Annual visit of Flanders galleys.

STAPLE:

Fixed market for overseas trade in staple commodities of export—chiefly wool. Several changes of policy. Staple finally fixed at Calais.

Merchants of the Staple:

Association or company of merchants who exported staple commodities.

MERCHANT ADVENTURERS:

Several distinct bodies. Charters. Constitution settled by charter of Henry VII. Regulated company. Privileges abroad. Depots in several places; finally, at Hamburg.

v. Staplers:

On the question of the right to export cloth.

v. Hanse:

Rivalry for control of trade in North Sea and Baltic.

1578. Ultimate victory of Adventurers. Hanse privileges in England annulled.

1597. Steelyard closed.

7. THE AGRARIAN REVOLUTION OF THE SIXTEENTH CENTURY**GENERAL CHARACTER:**

Medieval system (communal, co-operative, based on custom) replaced by modern system (individual, competitive, based on self-interest). In the Middle Ages agriculture was carried on for subsistence; in modern times agricultural produce is marketed.

ENCLOSURE AND CONSOLIDATION MOVEMENT:

(A) *For Tillage*:

By exchange of strips. Holdings tended to become larger, since small holdings were absorbed. Economy of labour. Improved methods of cultivation.

But the greater part of arable land remained in open fields.

(B) *For Pasture*:

By stages: Demesne.

Waste.

Holdings of customary tenants.

Holdings of freeholders.

Pasture on leasehold farms also.

Results:

(1) Depopulation of certain manors.

(2) Land more valuable. Rising rents (of leaseholds, not of copyholds, since quit-rents were immutable). Complaints of avarice of landlords. Attempts to compel copyholders to accept leases.

(3) Vagabondage.

(4) Pauperism became a problem demanding State attention.

Tudor policy:

Opposed the conversion of arable to pasture.

Restriction of pasture in Isle of Wight.

Further conversion of arable forbidden.

Newly converted pasture to revert to arable.

Limitation of number of sheep. Evasion.

1487.

1489.

RESULTS OF DISSOLUTION OF THE MONASTERIES:

(1) Large quantity of land in new ownership.

(2) Frequency of sales of land.

(3) New landlords adopted up-to-date methods. Higher rents. Sheep-farming.

8. MERCANTILISM

MEDIEVAL CONDITIONS:

Economic:

Activity subject to regulation. Little individual enterprise. Local self-sufficiency. Association of economics with ethics.

Social:

Little travel. Communication difficult. Idea of nationality dormant. "Horizontal" divisions.

NATIONAL CONSCIOUSNESS:

Developed towards close of Middle Ages.

MERCANTILISM:

The organization of national activity in every sphere, for the preservation of independence and increase of power. Subordination of individual, local, and sectional interests to those of the State. Strong monarchies.

SPHERES OF MERCANTILIST ACTIVITY:

Agriculture :

Tillage preferable to pasture.

(a) Healthy country population.

(b) Food supply.

Maritime strength :

- 1381
onwards.
- (1) Series of Navigation Acts, to increase supply of ships.
 - (2) Deep-sea fishing, to augment supply of seamen.
 - (3) Naval Stores.

Industry :

- 1563.
- Decay of guilds. Local regulation of industry gave place to national Statute of Artificers.

Overseas Trade :

Monopolistic trading companies.

Treasure :

Regulation of trade by

- (1) Duties,
- (2) Prohibitions,
- (3) Bounties,

in order to promote a "natural flow" of precious metals to this country.

Economic fallacies involved.

Overseas settlement :

Regulation of colonial trade in the interests of the home country. Shipping regulations.

CRITICISM OF MERCANTILISM:

Con :

National self-sufficiency less beneficial to mankind than international division of labour and interchange of products.

Pro :

Safety preferable to abundance, in view of conditions prevalent at the time.

9. COMPANY TRADING

ADVANTAGES OF COMPANY TRADING :

- (1) Company more careful of reputation than individuals. Interlopers aimed at fortune on one voyage; trickery and fraud. Company intended to build up orderly trade.
- (2) Company could obtain special privileges from alien rulers.
- (3) Company could protect its ships from pirates.
- (4) Government could regulate trade and collect duties from company more easily than from interlopers.

INTERLOPERS:

Adventurous. Often unscrupulous. Sometimes opened up new regions for trade. Thus became pioneers of companies.

COMPANIES V. INTERLOPERS:

- (1) Companies claimed that the reputation of Englishmen in remote lands should not be imperilled by proceedings of interlopers.
- (2) Companies were charged with being monopolistic. If, by excessive entry fees, admission was restricted, and if high prices were charged, to the detriment of public interest, interloping was justified. If entry fees were reasonable, and public interest was considered, interlopers could not be defended.

TYPES OF COMPANY:

Regulated:

Charter. Company drew up rules; established depots; secured privileges. Did not trade. Trade by members, singly or in partnership.

Joint-stock:

Trading by company. Management by paid officials. Members merely provided capital and received dividends.

SOME COMPANIES:

Merchant Staplers:

Later Middle Ages. Export of wool.

Merchant Adventurers:

Export of woollen cloth and other commodities.

1579. *Eastland Company:*

Baltic trade. Naval stores. Company not important, as naval stores obtained also from North America.

1672. Trade thrown open.

Muscovy Company:

1553. Voyage of Willoughby and Chancellor, to discover north-east passage. Chancellor at Moscow. Received by Tsar.

1555. New Charter. Trade with Russia. Share of Persian trade. Competition of Levant and East India Companies.

17th cent. Difficulties:

(a) Private trading by agents of company.

(b) Dutch competition.

(c) Tsar refused renewal of privileges.

(d) Loss of warehouse at Archangel.

Regulated company. High admission fee.

End 17th c. Low fee. Trade almost thrown open.

Barbary Company:

For trade with north coast of Africa. Failure.

Levant Company:

Privileges granted by Sultan. Common hostility of England and Turkey towards Spain.

1581. Charter by Elizabeth to Turkey Company. Not renewed. Trade continued.

1592. Charter to Levant Company. Joint-stock. Regular fleet sailings. Company became regulated. Competition of the Muscovy and

James I. East India Companies.

1754. Low admission fee.

1825. Trade thrown open.

East India Company:

Formed to contest Spanish and Dutch power in the East.

1600. Charter, Cape of Good Hope to Cape Horn. Separate joint-stock for each voyage.
1612. Joint-stock for a number of voyages.
1657. Permanent joint-stock.
Difficulties:
(a) Dutch hostility.
(b) Interlopers.
(c) Hostile criticism.
(d) Rival company.
- 1698-1708. Trading activity with
(a) India,
(b) China and Japan,
(c) Persia.
- East India Company became governing body. Subject to
Regulating Act.
India Act.
1773.
1784.
1813. Indian trading thrown open. China trade retained.
1833. Trading ceased.
1858. Company abolished.

Criticism of East India Company :

- (1) Unfavourable balance of trade with India; but
(a) Indian products were sold in other parts of Europe, and contributed to the favourable balance of trade between England and these countries.
(b) The money exported to India was more than recovered by England, in the re-export of Indian goods.
- (2) Absence of large ships for long periods weakened English reserve of naval strength; but
(a) The development of East Indian trade had encouraged the building of large ships.
(b) A proportion of the company's fleet was always in or near home waters.
- (3) Indian trade did not benefit English industry, since English goods were not in demand in the East; but
Company endeavoured to build up market for English goods in India.

Royal African Company :

- Several companies. (See p. 82 n.)
Slave trade.
Competition of foreigners.
interlopers.

Hudson's Bay Company :

1670. Charter. Fur trade in lands round Hudson Bay. Rights contested by French.
1713. Rights recognised by French.
1869. Monopoly surrendered. Trade continued.

South Sea Company :

1711. Charter. Trade with America south of the Orinoco.
1713. Trading privileges under Treaty of Utrecht.
1720. South Sea Bubble.
1750. Asiento (of 1713) surrendered. Original privileges retained.
1807. Trading privileges surrendered.

10. THE NAVIGATION SYSTEM

AIM OF THE SYSTEM:

The development of naval strength.

EARLY NAVIGATION ACTS:

1381. Imports and exports in English ships. Unenforceable.
 1382. Act of 1381 modified. Foreign ships, if English ships not available.

EARLY TUDOR REGULATION:

1485. Wines from Gascony in English ships.
 1488. Such ships to be manned by Englishmen.
 1532-40. Other acts.
 1559. Repeal of existing regulations.

ELIZABETHAN REGULATION:

1559. Higher customs duties for foreign-borne goods than English.
 1563. Coasting trade.
 Fish days.

EARLY STUART REGULATION:

Proclamations.
 Colonial trade in English ships.
 Colonial tobacco to be sent only to England.

REASONS FOR INEFFECTUACY OF POLICY:

- (1) Regulations impracticable.
- (2) Government unable to enforce them.
- (3) Crown granted licences for exemption.

1650. NAVIGATION ACT:

Foreign ships not to trade with English plantations.

1651. NAVIGATION ACT:

- (1) Goods from Asia, Africa, or America, to be imported into England, Ireland, or plantations, in English or plantation ships.
- (2) . . . Europe . . . in English ships or those of the country of origin.
- (3) English ships—owner, master, most part of the crew.
- (4) No intermediate transshipment of cargo. (Some exceptions.)
- (5) Import and export of certain kinds of fish limited to English vessels.
- (6) Coasting trade limited to English vessels.

N.B. (a) Aimed at Dutch carrying trade.

(b) Evasion, especially during war with Spain.

(c) Indefinite rule relating to English crew. Disregarded.

1660. NAVIGATION ACT:

- (1) Amended definition of English ship. Owner, master, three-fourths of crew. In some cases, English built.
- (2) Colonial exports as well as imports in English or plantation ships.
- (3) Alien merchants forbidden to live in English colonies.
- (4) Enumerated colonial commodities only to England, Ireland, or another plantation.
- (5) Non-enumerated commodities elsewhere, but in English or plantation ships.
- (6) Enumerated European commodities in English ships only.
- (7) Higher customs duties for foreign-borne goods than English.
- (8) Oil, whalebone, blubber, and cod, to pay double aliens duty if caught in any foreign vessel.

LATER ACTS OF TRADE:

- 1662. English ships to be English built.
- 1664. Colonies to import European goods only from England.
- 1670. Ireland cut out.
- 1760. Duties on enumerated colonial commodities sent from one colony to another.
- 18th c. Variations in list of enumerated commodities.

SCOTLAND:

- Treated as foreign country.
- 1661. Scottish attempt to apply a Navigation System to English trade failed.
- 1707. Union with England. Inclusion in Navigation System.

CRITICISM OF NAVIGATION SYSTEM:

Pro :

Increase of mercantile marine, to detriment of Dutch.

Con :

- (1) Dutch supremacy merely temporary, due to circumstances which were evanescent.
- (2) Dutch beaten by English in three wars before Navigation System had had time to exert effect.
- (3) French shipping increased without any such Navigation System.
- (4) Navigation System worked to detriment of English trade in Baltic.
- (5) Navigation System forced up freights. Higher cost of raw materials. English manufactured goods dearer. Trade limited.

Conclusion :

Extension of commerce and increase of shipping occurred in spite of, and not because of, Navigation Acts.

OLD COLONIAL SYSTEM:

English control of colonial trade.

Justification :

- (1) Expense of foundation of colonies.
- (2) Responsibility for defence.
- (3) Colonies were economic outposts of mother-country. (Mercantilist view that interests of a part should not outweigh those of the whole.)

Advantages to England :

- (1) Supplies of commodities which could not be produced at home.
- (2) Profit on re-sale to other countries.

Advantages to colonies :

- (1) Many important commodities non-enumerated.
- (2) Preferential tariffs in England.
- (3) Steady market and stable price for enumerated commodities.
- (4) Protection from English competition.

DECLINE OF OLD COLONIAL SYSTEM:

- 18th c. Laxity of enforcement by Whigs.
- 1764. Re-enforcement by Grenville.
- 1783. Loss of American colonies.

DECLINE OF NAVIGATION SYSTEM:

- Navigation Acts relaxed to permit
- 1796. American ships to visit Great Britain,
 - 1796. West Indies,
 - 1808. Canada;
 - 1808. Brazilian ships to visit Great Britain.
 - 1820. Petition from City of London.
 - 1822. Enumeration of colonial goods discontinued, but trade still in English or colonial ships.
 - 1822. Trade with republics of Central and South America, in their ships.
 - 1822. Some modification of rules relating to European trade.
 - 1823. Reciprocity treaties authorised. Many treaties concluded during next few years.
 - 1845. Suggested codification. Protests.
 - 1849. Repeal.
 - 1854. Coasting trade thrown open.

11. THE REGULATION OF INDUSTRY BY THE STATE**DECLINE OF MEDIEVAL REGULATION (LOCAL):**

- Decline of guilds (monopolistic).
- Spread of industry to villages and new towns, beyond guild authority.
- No supervision. No adequate training for craftsmen.

STATE CONTROL OF INDUSTRY IN MIDDLE AGES:

- (1) Uniformity of coinage after Norman Conquest.
- (2) Uniformity of weights and measures by thirteenth century.
- 1351. (3) Statute of Labourers. To regulate wages. Many subsequent laws. Ineffective.
- 16th c. (4) Laws dealing with particular industries. Ineffective.
- (5) Laws extending authority of guilds and bringing them under State control. Ineffective.

1563. STATUTE OF ARTIFICERS:*Aims:*

- (1) To check decline of corporate towns.
- (2) To provide for the efficient training of village artisans.
- (3) To ensure supply of agricultural labour.
- (4) To regularise wages.
- (5) To establish a complete industrial code.

Provisions:

- (1) All able-bodied persons, 12-60, unless exempt, liable to agricultural labour.
- (2) Hirings for one year. Three months' notice. Certificate.
- (3) Apprenticeship compulsory. Seven years. Master-craftsmen to be twenty-four years of age.
- (4) Choice of occupation limited.
- (5) Ratio of journeymen to apprentices.
- (6) Wage-assessment by J.P.s.

N.B. (1) No man without legal occupation.

- (2) Continuity of service.
- (3) Provision for training.
- (4) Wage-assessment not based on bare subsistence.
- (5) Popularity of the Act.

18th c. DECLINE OF THE SYSTEM:

Wage-assessment discontinued, because of

- (a) Growing complexity of industry.
- (b) Prevalence of *laissez-faire* views.

Petitions to Parliament for revival of system. Unavailing.

Repeal:

- 1813. (a) Wage-assessment.
- 1814. (b) Apprenticeship.

12. NATIONAL FINANCE BEFORE THE REVOLUTION
OF 1688-9

NORMAN AND EARLY ANGEVIN PERIOD:

Royal revenue:

- (A) Produce of royal manors.
- (B) Feudal incidents from landowners. Also, scutage.
- (c) Certain royal rights:
 - Purveyance.
 - Pre-emption.
 - Prisage.
 - Wainage.

(D) Direct taxation:

(1) Of land:

- (a) Danegeld. Abandoned by Henry II. Replaced by
- (b) { Donum. Land tax.
- { Auxilium. Contribution from towns.
- These gave place to
- (c) { Carucage. Tax on the carucate (100 ac.).
- { Tallage. From towns.

(2) Of movables:

- 1188. Saladin tithe.

Collection:

By sheriff.

- (1) Some items farmed. Regular payment of ferm of the shire or of town to Exchequer.
- (2) Some other items. Actual receipts paid in.

N.B. King's revenue from

- (1) His own property.
- (2) The property of others. Consent required.
 - (a) Reference to consent in Magna Charta.
 - (b) Parliamentary consent to taxation.

LATER MIDDLE AGES:

Royal revenue:

- (A) (B) (C). As above.

(D) Direct taxation:

- (1) Tenths and fifteenths (of movables). Assessment difficulties. Decline in yield. Supplemented by
- (2) Subsidies (of land and movables). Also difficulties of assessment and declining yield.
- (3) Poll-taxes.

(E) Indirect taxation:

1275. (1) Ancient customs. On wool, woolfells, hides, leather.
 1303. (2) New customs (on aliens). Fifty per cent higher.
 (3) Tunnage and poundage.

TUDOR AND EARLY STUART PERIOD:

Royal Revenue:

- (A) (B) (D) (E). As above. (c) fell into disuse.
 (F) Ecclesiastical revenues. After separation from Rome. Till
 t. Queen Anne.
 (G) Fines in the prerogative courts.
 (H) Impositions. Additional import duties.
 (I) Monopolies, patents, licences.
 (J) Loans, benevolences.

N.B. Crown in financial difficulties on account of changing value of money after influx of silver and gold from America.

GREAT REBELLION AND COMMONWEALTH:

Beginning of excise.

CHARLES II:

Royal revenue:

- (1) Crown lands.
 (2) Excise in place of feudal incidents, which were discontinued.
 (3) Tunnage and poundage.
 (4) Hearth tax.

Difficulties and expedients:

Revenue estimated to produce £1,200,000 p.a. Failed to reach
 £1,000,000 p.a.
 Subsidies from Louis XIV.
 Loans from goldsmiths. Stop of the Exchequer.

JAMES II:

Revenue of £1,900,000 p.a.

13. THE AGRARIAN REVOLUTION IN THE EIGHTEENTH CENTURY

1600- AGRICULTURE BETWEEN THE TWO REVOLUTIONS:

1750. (1) Continuation of the enclosure movement. Changed attitude towards it in the later Stuart period.
 (2) Extension of cultivated area:
 (a) Wilderness.
 (b) Fens.
 (c) Moorland.
 (3) Improvement in agricultural methods
 (a) Breeding of farm stock.
 (b) Land drainage.
 (c) Manuring.
 (d) Root-crops.

STATE OF AGRICULTURE BY 1750:

- (1) Open-field system of cultivation in about half the manors of the country.

ENGLISH ECONOMIC HISTORY

- (2) Enclosed and consolidated farms in other manors.
- (3) Some enclosed farms in the open-field villages also. (Formerly the lord's demesne.)
- (4) Cultivators were

Freeholders	}	in the open fields.
Copyholders		
Leaseholders.		

 Enclosed farms.
- (5) Customary rights over common pasture and woodland.
- (6) Textile work carried on in country cottages. Contributed to prosperity of peasants.

DEFECTS OF OPEN-FIELD SYSTEM:

- (1) Wasteful of land and of time.
- (2) No possibility of experiment and improvement.
- (3) Led to disputes.

CAUSES OF CHANGE:

- (1) Increase of population. Greater demand for food. Could not be met under the old system.
- (2) Demand for food affected prices. Stimulated change of methods.
- (3) Decay of cottage textile industry necessitated improvement in agricultural methods, since peasants who lost their by-employment had to gain a living from agriculture alone.

CONSOLIDATION AND ENCLOSURE:

- (1) Rarely by general consent. Usually by special Act of Parliament for each place. Act granted on petition of lord of the manor and four-fifths of persons interested. Such acts were mainly t. George III.
- (2) Carried out by Commissioner. All legal claims met. Peasants had no legal claim to pasture and woodland rights. These reverted to the lord of the manor.
- (3) Peasants with small consolidated plots were unable to make a living from them. Usually sold them. Ready market for land.
- (4) Large estates formed. Divided into farms of two to three hundred acres. Tenant farmers.

THE YEOMEN:

- (1) Some went into towns. Became factory owners or factory workers.
- (2) Some remained in country. Became tenant farmers or farm labourers.

GRADES IN ENGLISH RURAL SOCIETY:

Before Agrarian Revolution:

Lords of manors, yeomen, labourers.

After Agrarian Revolution:

Squires, tenant farmers, labourers.

RESULTS OF CONSOLIDATION AND ENCLOSURE:

- (1) Possibility of experiment and improvement.
- (2) Disappearance of fallows.
- (3) Norfolk course.
- (4) Winter food for cattle.
- (5) Stable manure for the land.

STOCKBREEDING:

Till the eighteenth century, farm stock was of poor quality. Cattle for draught. Sheep with light fleece. Prevalence of infectious diseases. Much stock killed on the approach of winter.

Improvement due to

- (1) Judicious breeding.
- (2) Better supply of food, especially in winter.

MEN PROMINENT IN EIGHTEENTH-CENTURY AGRICULTURE:

Bakewell.

The Collings.

Stockbreeding.

Tull:

Sowing by drill.

George III:

Model farm at Windsor.

Young:

Travelled in Great Britain and France. Disseminated information.

Coke:

Estate management. Marling. Improvements of many kinds.

RESULTS OF THE AGRARIAN REVOLUTION:

- (1) Increase in the supply of food. But population increased faster, and import became necessary.
 - (2) End of medieval agriculture. Modern rural system established.
 - (3) English agriculture remained the foremost in Europe.
- (Note. For a summary of the stages in the advance of leasehold tenures, see p. 108 n.)

14. THE INDUSTRIAL REVOLUTION**DEFINITION:**

A change in industrial methods and organisation. A change from the domestic system to the factory system, and from handwork to machine work.

PERIOD OF THE CHANGE:

Very slow change.

1765-85. Textile changes extended over seventy years, though most important inventions appeared within twenty years.

Steam power appeared early in eighteenth century; had not entirely displaced water-wheel by 1850.

INDUSTRY BEFORE 1750:

Mainly in cottages, especially textile work. Carried on by people engaged in agriculture.

Carding by children.

Spinning by women.

Weaving by men.

The textile industry was controlled by dealers, or clothiers, who gave out the raw material and collected the cloth. Supplementary processes. Cloth sold to merchants. Some of it exported.

System unsatisfactory. Workpeople often idle, irregular, dishonest.

CAUSES OF THE CHANGE :

- (1) Need for an increase in production, to meet the demands of the export trade.
- (2) Need for machinery, especially in spinning.

TEXTILE MATERIALS :

New machinery applied at first to cotton and not to wool.

- (1) Vested interests in woollen industry.
- (2) Supply of wool limited. Cotton from Levant and West Indies, and, towards end of eighteenth century, from United States. (Wool from Australia and New Zealand in nineteenth century.)

POWER :*Water :*

Plentiful, but irregular and uncertain. Factories established by streams. Factory villages.

Steam :

Under control. Any degree of power. Could be used anywhere. Factories established on coal-fields. Factory towns.

TRANSFORMATION OF INDUSTRY :

- (1) Factories inevitable. Machines were bulky, expensive, and power-driven. Could not be set up in cottages.
- (2) Domestic system died away slowly. The two systems long existed side by side.
- (3) Reluctance to change :
 - (a) In established industries employers would change over only when advantages of change were strong.
 - (b) In some industries domestic workers were so badly paid that machinery was not worth while.
 - (c) Workers disliked "wage-slavery" of factory system.
- (4) Advantages of change :
 - (a) Hours of work and conditions of labour superior to those under domestic system.
 - (b) Possibility of forming trade unions.
 - (c) Workers took increased interest in social and political questions.

GREAT BRITAIN THE PIONEER OF THE INDUSTRIAL REVOLUTION :

- (1) British political and financial stability.
- (2) Freedom from invasion.
- (3) Personal freedom.
- (4) Accumulation of capital.
- (5) Natural advantages :
 - (a) Geographical position.
 - (b) Harbours.
 - (c) Navigable rivers.
 - (d) Climate invigorating.
 - (e) Coal and iron.

RESULTS OF THE INDUSTRIAL REVOLUTION :

- (1) Commanding position of capital.
- (2) (a) Increase of population.
- (b) Movement of people into towns. New industrial towns in the north.
- (c) Massing of people in north and west.

- (3) Increase in production. Cheapness.
- (4) Development of export trade.
- (5) Development of new industries, e.g., engineering.
- (6) Unsatisfactory conditions of factory labour. (*Laissez-faire* views prevalent.)
- (7) Improvement in means of transport. Large-scale production necessitated wider market.
- (8) Parliamentary reform

15. THE REVOLUTION IN THE TEXTILE INDUSTRIES

BEFORE THE INDUSTRIAL REVOLUTION:

Woollen cloth manufacture:

- (1) Domestic system, controlled by clothiers.
- (2) In Yorkshire, artisans of substance, who carried all processes through, and marketed the product.

Shortage of wool:

- 1660–
1825.
- Export forbidden.
 - Import of merino wool from Spain.
 - Import of wool from Ireland.
 - Smuggling of wool from Ireland and Great Britain to France.

Silk:

Huguenot immigration after 1685.

Linen:

- In Scotland and Ireland.
- Scottish linen protected against Irish after 1707.

COTTON:

Slow growth of industry:

- (1) Uncertainty of supplies in early eighteenth century. Levant. West Indies.
 - (2) Hostility of vested interests:
 - (a) Those engaged in wool and silk industries.
 - (b) East India Company, which imported cotton goods from India.
 - (3) Legislative action:
 - (a) Import of printed cotton goods prohibited.
 - (b) Use of printed cotton goods in England prohibited.
 - (4) Technical difficulties:
 - Overcome by use of linen warp with cotton weft.
 - Legalised by Manchester Act.
1700.
1722.
1736.

Development of industry:

- (1) State of affairs in India. Interruptions to supply of cotton goods.
 - (2) Machinery overcame technical difficulties.
 - (3) Legal prohibition removed.
 - (4) Abundance of raw cotton towards end of eighteenth century.
- 1774.

Machinery:

Spinning:

Wyatt. Paul. Highs.

1767. Hargreaves. Spinning jenny. Hand-worked. Fine thread.
 1769. Arkwright. Water-frame. Water power. Factories. Strong thread, for warp.
 1776. Crompton. Mule. Combined advantages of jenny and water-frame.
 1825. Roberts. Self-acting mule.
 1830. Improved.

Weaving :

1733. Kay. Flying-shuttle.
 1785. Cartwright. Power-loom.
 1815. Horrocks. } Improvements.
 Radcliffe. }

Results :

- (1) Workers congregated in workshops, then in factories.
 (2) Low wages of hand-workers.

Suitability of Lancashire for cotton industry :

- (1) Climate.
 (2) Port. (Liverpool.)
 (3) Power. (Water, coal.)

WOOL:

Machinery :

- Adaptation delayed until larger supplies available.
 1790. Cartwright. Combing machine.
 End 18th c. Jenny applied.
 Early 19th c. Machine spinning of worsted.
 1824. Power-loom for worsted.
 Hand-loom weaving continued till mid 19th century.

Supplies :

- From Australia and New Zealand.
 1805. Macarthur.
 1817. Sheep in New Zealand.
 After 1830. Appreciable import from Australia and New Zealand.

LINEN:

Machinery :

- Slow adaptation. Irish peasant women.
 1840. Flax-spinning by machinery.
 1860. Weaving by machinery.

SILK:

- Industry protected by duties and prohibitions.
 Flourished after reduction of duties by Huskisson.
 1860. Declined after abolition of duties.

FINISHING PROCESSES:

Bleaching :

Chlorine process.

Dyeing :

Many new dyes.

Printing :

Bell. Cylinder printing.

LATER INVENTIONS:

1830. Ring-spinning.
 1847-8. Cotton-combing. Heilmann and Holden.
 Northrop loom.

SPECIALISATION:

- (1) Spinning and weaving in separate establishments.
- (2) Grades of yarn in separate establishments.
- (3) Local specialisation in Yorkshire.

SUPPLIES OF COTTON:

- Cotton famine during American Civil War.
 Supplies from India and Egypt later in nineteenth century.
 1902. British Cotton-Growing Association. Supplies from India, West
 Indies, Nigeria, Uganda, Sudan.

ARTIFICIAL SILK:

From wood-pulp, cotton, paper, etc. Present importance. Future possibilities.

16. COAL

USES:

- (1) Household purposes.
- (2) Steam engine.
- (3) Railways and steamships.
- (4) Smelting (when coked).
- (5) Chemical products used in industry.

DIFFICULTIES (mining and transport):

Overcome by

- | | |
|---------------------------------|---|
| (1) Water in pits. | (1) Pumping. Steam engine. |
| (2) Danger of collapse of roof. | (2) (a) Pillar-and-stall system.
(b) Long-wall system.
Timber baulks. |
| (3) Gases—Ventilation. | (3) Exhaust fan. Double shaft. |
| (4) Lighting. | (4) (a) Davy lamp.
(b) Electric light. |
| (5) Raising coal to surface. | (5) Wire cable. Steam engine. |
| (6) Increase of temperature. | (6) Cooling of inflowing air. |
| (7) Transport. | (7) Canals. Railways. |

MODERN DEVELOPMENTS:

- (1) Deeper shafts.
- (2) Longer tunnels.
- (3) Coal-cutting machinery.

LABOUR CONDITIONS:

- 18th c. Men, women, children. Long hours. Work dangerous. Not unhealthy.
 1842. Labour of women and children in mines prohibited.
 1850. Inspection.
 1860, etc. Coal Mines Regulation Acts.
 1881. Inquiries after accidents.
 1896. Regulation of blasting.
 1908. Eight Hours Act.
 1911-14. Codification of regulations.

18th SCOTTISH MINERS:

- cent. Low wages. Compulsory labour of men, women, and children.
State of serfdom, or even slavery. Not ended till close of century.

THE QUESTION OF NATIONALISATION:**1919-21. Sankey Commission:****1919. Interim reports:**

- A. (1) Nationalisation.
- (2) Seven hours day, then six hours.
- (3) Higher wages.
- B. (1) Nationalisation.
- (2) Six hours day.
- (3) Thirty per cent increase of wages.
- C. (1) Opposed nationalisation.
- (2) Opposed shorter working day.
- (3) No recommendation on wages.

1920. Final report:

- Nationalisation recommended.
No action taken.

1925-6. Depression in Mining Industry:

- Reduction in wages threatened. State subsidy.

1926. Samuel Commission:

- (1) Condemned subsidy.
- (2) Recommended State purchase of mining royalties.
- (3) Seven and a half hours day.
- (4) Pithead baths.
- (5) Annual holidays with pay.
- (6) Profit-sharing.
- (7) Opposed nationalisation.

Strike action:

1926. Subsidy withdrawn. Owners reduced wages. Miners ceased
(April) work.
(May) General strike in support of miners. Collapse.
Miners continued idle, but were ultimately forced to accept owners' terms.

1926. Coal Mines Act:

- Working day lengthened by one hour.

1926. Mining Industries Act:

- Enforced some recommendations of Samuel Commission.

1946. Coal Mines Nationalisation Act:

- (1) National Coal Board, to take over mines and supply coal; also, to take over subsidiary activities.
- (2) Compensation to mine-owners.
- (3) Effective, 1st January, 1947.

1947. Five-day Week:

- (May) Miners to receive six days' pay for working the full week of five days.

17. IRON, STEEL, AND ENGINEERING

CAST IRON :

Till *Charcoal smelting.*

18th c. In the forests. Especially, the Weald, Forest of Dean, the Wrekin.
Restrictions imposed on industry. Decline.

Coke smelting.

17th c. Dud Dudley.

18th c. Abraham Darby.

Smelting works established on coal-fields. Especially Clyde valley, Yorkshire, South Wales, Black Country.

WROUGHT IRON :

1784. Henry Cort. Puddling and rolling.

The Blast :

1760. Roebuck (Carron Ironworks). Improved blast.

1790. Steam engine for blast.

1828. Neilson. Hot blast.

19th c. Further improvements. Utilisation of waste gases.

STEEL :

(Wrought Iron: Free, or nearly free, from carbon.

Cast Iron: Two to five per cent of carbon.

Steel: Moderate percentage—one to one and a half of carbon.

Difficulty in production of steel was to regulate carbon content.)

Bessemer process (converter) :

1855-6. (1) Bessemer. Powerful blast. Impurities burnt out. Spiegel-eisen added. (Later, ferro-manganese.) Production of acid steel from non-phosphoric ores.

(2) Gilchrist-Thomas. Converter lined with dolomite and clay. Production of basic steel from phosphoric ores.

Siemens-Martin process (open-hearth) :

Open-hearth instead of converter. For both acid and basic steel.

Tendency for open-hearth to supersede converter.

Electric Furnace :

1878. Sir William Siemens. For production of high-grade steel in moderate quantities.

N.B. (a) Extensive use of steel in place of wrought iron.

(b) Conversion of iron-works into steel-works.

(c) Use of phosphoric ores in the open-hearth process. Minette ores of Lorraine. German steel industry.

(d) Extensive use of alloys.

ENGINEERING :

1698. *Savery :*

Steam pump.

1705. *Newcomen :*

Steam engine. Defective and extravagant, but usable. Improvements by Smeaton and Watt.

1782.

Watt:

Engine on rotary principle. Limited output. (Patents held by Boulton and Watt.)

Importance of steam engine:

Source of power whose success is not dependent on extraneous favourable conditions.

Quality of workmanship:

- (1) Earliest engineers were blacksmiths, etc.
- (2) Early machines badly made.
- (3) Invention of machine tools.

18. ROADS AND CANALS

ROADS:

Middle Ages:

Poor condition. Sometimes maintained by Church.

1555.

Parochial responsibility. Landowners to provide labour.

18th c.

Turnpike trusts:

Private enterprise in maintenance of roads. Tolls.

Chiefly effective in the provision of good main roads.

Improvements:

Metcalf

Telford

McAdam

} were notable road makers.

McAdam introduced the macadamised road. Granite surface. Slight camber.

19th c.

Decline of turnpike trusts:

Amalgamations, to secure better results.

Trusts unable to meet railway competition. Disappeared. Road maintenance devolved on local authorities.

20th c.

Revival of use of roads:

Motor traffic. Proceeds of motor taxation used in road construction and maintenance.

CANALS:

Construction of the system:

End 17th c. Aire and Calder Canal.

Early 18th c. Straightening and widening and deepening of a number of rivers, especially Irwell and Mersey.

1759-61.

Bridgewater Canal. Independent of rivers, and unaffected by flood or drought. Extended to Runcorn.

1760-1800.

Network of canals. Constructed in consequence of the success of the Bridgewater.

Characteristics of the system:

(1) No State assistance.

(2) Lack of uniformity.

(3) Canal companies were not carriers. They provided waterways and charged tolls.

Uses of canals :

- (1) Food from agricultural into industrial regions.
- (2) Raw materials into industrial regions.
- (3) Manufactured goods distributed throughout country and conveyed to ports.
- (4) Coal.
- (5) Attracted traffic hitherto sea borne.

19th c. *Decline of canals :*

- (1) Railways speedier.
more punctual.
more convenient.
- (2) Coasting steamers attracted traffic hitherto canal borne.
- (3) Some canals bought up by railway companies.
- (4) Canal companies failed to take advantage of their period of prosperity by bringing undertakings up to date. Failed, till too late, to become carriers. Lost faith in the canals.

End 19th c. *Manchester Ship Canal :*

For ocean-going ships.

Present-day position of canals :

Useful for transport of bulky and heavy goods for which speed is not required.

Statistical evidence of advance in volume of traffic. But:

- (a) Returns for earlier years incomplete.
- (b) Returns for later years include Manchester Ship Canal.
- (c) Duplication in returns.

1906-9. *Royal Commission :*

Recommended:

- (1) Improvement of the "cross."
- (2) Establishment of a Waterways Board.
- (3) State assistance.

No reliable estimate of cost. No action taken.

1947 *Nationalisation.***19. THE CLASSICAL ECONOMISTS****ECONOMIC THEORY :***Medieval :*

Associated with ethics.

Early Modern :

Mercantilism. National power.

Industrial Revolution :

"Classical." System of economics associated with principles of *laissez-faire*.

PHYSIOCRATS :

In France. Pioneers of Classical Economics.

Asserted existence of a "natural order" of society. Advocated abolition of restrictions and regulations. Led to *laissez-faire*.

Treated agriculture as the sole source of wealth. No "net increase" from other occupations.

CLASSICAL ECONOMISTS:

- (1) Treated economics as an abstract science, with fundamental principles of universal application.
- (2) Divorce of economics from ethics.
- (3) Their work criticized as being too abstract—dealing with conception rather than a reality.

1776. ADAM SMITH (*Wealth of Nations*):

- (1) (a) Opposed mercantilist regulations.
- (b) Need for liberty. Advocated abolition of regulation, restriction, monopoly.
- (c) Unrestrained competition would lead each man to follow that course which would be to his own maximum advantage.
- N.B. (i) Restriction needed:
 - If freedom prejudicial to others.
 - If it threatens national security.
- (ii) Freedom attainable by degrees.
- (2) (a) Advantages of division of labour. Increased output.
- (b) Must be accompanied by freedom of exchange.
- (c) True of nations as of individuals. Need for Free Trade.
- (3) Consideration of the use of money.

1798- REV. THOMAS MALTHUS (*Essay on Population*):

1803. (1) Production of food can be augmented by
 - (a) More intensive cultivation of land. (Diminishing returns.)
 - (b) Cultivation of other land. (Presumably of inferior quality.)
- (2) Population would double itself within a definite period, unless certain checks existed. Every increase in comfort stimulates increase of population.
- (3) Production of food increases in arithmetic progression; increase of population is in geometric progression. Therefore, population tends to outstrip means of subsistence, and standard of life must fall.
- (4) Checks to increase of population:
 - (a) Positive. Destruction of existing population. War, famine, pestilence, etc.
 - (b) Preventive. Moral restraint. Abstinence from marriage.
- N.B. (a) If the arguments of Malthus are sound, there is no hope of improvement except by the exercise of moral restraint. (Not really effective.)
- (b) Modern experience does not support the contentions of Malthus.

Criticism:

- (1) Malthus was influenced by the conditions of his own time, and neglected the possibility of other factors in the problem.
 - (a) Improvements in methods of cultivation. (Increasing returns.)
 - (b) Uncultivated land not necessarily inferior. May merely be remote. May become accessible by transport developments.
 - (c) Food from newly settled countries. International trade.
- (2) Improvement in social conditions has been accompanied by declining, and not increasing, birth-rate.

1817. DAVID RICARDO (*Principles of Political Economy and Taxation*):

Pounded theory of Rent. Important.
theory of Value. Less important.

Rent:

What is paid to landlord for the use of "original and indestructible powers of the soil."

The difference between the produce of the least fertile of the cultivated lands and that of better lands.

N.B. (a) Land on or near the margin of cultivation is tilled or neglected according as price of corn rises or falls.

(b) Rent is determined by the price of corn, and not vice versa.

(c) With increasing population and increase in cultivated area rents will rise.

Criticism:

(1) In a new country, inferior land may be cultivated before land of better quality. (Does not really affect Ricardo's argument.)

(2) If the theory be true, there should be land on the margin of cultivation which pays no rent—but no such land can be discovered. But:

(a) Actual rent of a farm is not strict economic rent. It includes interest on capital which has been expended on the land.

(b) Land on a farm varies in quality. Rent is payable for the farm as a whole. Part of the farm may be worth no rent.

(c) Under modern conditions, the marginal land may be in a new country.

(3) Ricardo, like Malthus, was unduly influenced by immediate circumstances. Did not take other possibilities into account.

(4) Ricardo assumed that rent of land was determined by unrestrained competition. Not true in England, though mainly so in Ireland.

1821. JAMES MILL (*Elements of Political Economy*):

Accepted Ricardian theory of rent. Advocated its special taxation to the point of confiscation.

1825. J. R. MCCULLOCH (*Principles of Political Economy*):

Advocated repeal of Combination Laws, and recognition of the right to strike.

1836. NASSAU SENIOR (*Political Economy*):

(1) Abstinence regarded as a justification for a return upon capital.

(2) Rent not confined to agricultural land. Existed wherever inequalities of natural advantage appeared. A normal, and not an exceptional, economic phenomenon.

(3) Science of economics consists of four principles:

(a) Hedonistic.

(b) Population.

(c) Increasing returns in industry.

(d) Diminishing returns in agriculture.

✓ JOHN STUART MILL:

Transitional.

Earlier work—Classical. Individualism.

Later work—veered towards Socialism.

1848. *Principles of Political Economy*:

(1) Arranged the conclusions reached by the Classical Economists.

(2) Challenged the view that basic principles were unchangeable.

(a) Laws of production incapable of modification.

(b) Laws of distribution were artificial, and might be changed.

(3) Advocacy of social reform:

(a) Co-operation in place of wage-system.

(b) Taxation of rent.

(c) Restrictions upon inheritance.

20. AGRICULTURE IN THE FIRST HALF OF THE
NINETEENTH CENTURY

1793— WAR PERIOD:

1815. Increasing population. Greater demand for food. Increase in area under cultivation.

Landowners benefited from advancing rents.

Farmers benefited from high price of corn.

Small-holders unable to compete with holders of large farms. Enclosure movement accelerated.

Labourers assisted under the allowance system.

1815— PEACE PERIOD:

1850. *Corn Laws*:

1689. Export bounty when price of wheat less than 48s. Successful.

1773. Small import duty when price above 48s. } Less success.
Export bounty when price below 40s. }1791. Export bounty when price below 44s. } Act ineffective in
Heavy import duty when price below 50s. } war period.

1815. Prohibition when price below 80s.

1822. 70s.

1828. } Sliding scales.
1842. }*Anti-Corn Law League*:

1838-9. Foundation.

Aimed at repeal of Corn Laws in order that food might be cheapened and manufacturing costs reduced.

Peel:

Supported Corn Laws, but realised that they would be justified only if food sufficient for the nation was produced.

Irish famine. Relaxation of Corn Laws necessary.

1846. *Repeal of Corn Laws*:

Small import duty remained.

1849. Duty of one shilling per quarter.

1869. Corn admitted free of duty

21. THE FACTORY SYSTEM AND THE FACTORY ACTS

THE FACTORY SYSTEM:

- (1) Decay of earlier systems of regulation of labour.
- (2) Prevalence of *laissez-faire* views.
- (3) Condition of factory buildings unsatisfactory.
- (4) Employment of women and children (especially pauper apprentices).
- (5) Excessive hours of labour.
- (6) Brutal treatment of children.

N.B. (a) Child labour not a novelty. Existed under domestic system.

(b) Necessity for State protection for those who could not protect themselves.

(c) Evils of factory labour not prevalent everywhere to an equal degree.

ARGUMENTS AGAINST FACTORY LEGISLATION:

- (1) Pseudo-philanthropic—that existing conditions were best for working classes.
- (2) Doctrinaire—that the State ought not to interfere with freedom of contract, and that evils would right themselves.
- (3) Economic—that the employer's profit was made in the last hour of the working day, so that a reduction of hours would involve the discontinuance of the profit. (Disproved by experience.)
- (4) Women's Rights—that restrictions on the labour of women were unfair, and were proposed in the interests of men. (Misunderstanding of the position.)

EARLY ACTS:

1802. *Apprentices Act:*

- (1) Apprentices in cotton and woollen factories.
- (2) Maximum hours of work—twelve per day.
- (3) No night work (after 9 p.m.).
- (4) Rules relating to clothing, instruction, religion, dormitories, medical attention.
- (5) Visitation by locally appointed officials.

N.B. (a) Visitation ineffective.

(b) Act evaded by employment of wage-earning children.

1819. *Factory Act:*

- (1) All children in cotton factories.
- (2) No child under nine to be employed.
- (3) Children 9–16, maximum of twelve hours per day.

N.B. Inadequately enforced and easily evaded.

1820–*Factory Acts:*

1825–30. Law amended in detail.

1831. *Factory Act:*

- (1) Cotton factories.
- (2) Young persons under 18—maximum of twelve hours per day.
- (3) Young persons under 21—no night work.

EFFECTIVE FACTORY ACTS FOR TEXTILES:

1833. *Althorp's:*

- (1) All textile factories (except silk).
- (2) No child under nine to be employed.

- (3) Children 9-13, maximum of nine hours per day (48 per week), with two hours daily at school.
- (4) Young persons 13-18, maximum of twelve hours per day. No night work.
- (5) Four factory inspectors. Empowered to inflict fines.
- N.B. (a) Importance of part-time system.
- (b) Beginning of compulsory education.
- (c) System of enforcement by inspectors superior to that by local officials.
- (d) Act retrograde in two respects:
 - (i) Night-work for young persons 18-21.
 - (ii) No provision for religious and moral instruction.

1844 *Peel's:*

- (1) No child under eight to be employed.
- (2) Children 8-13, maximum of $6\frac{1}{2}$ hours per day, with three hours daily at school.
Or, Factory (10 hr.) and school on alternate days.
- (3) Women, twelve hours per day.
- (4) The twelve-hour day to begin when any protected person began to work.
- (5) Hours by a public clock.
- (6) Meals not in workroom.
- (7) Dangerous machinery to be fenced.
- (8) Inspectors to summon offenders before magistrates.
- N.B. (a) Retrograde, in regard to commencing age—but more effective proof of age available.
- (b) Better factories employed two shifts of children on alternate days.
- (c) Relay system checked.
- (d) Improved inspection and enforcement.

1847. *Fielden's:*

- Ten-hour day for women.
- N.B. Relay system. Evasion of Act.

1850. *Grey's:*

- Amendment of Fielden's Act. Hours ($10\frac{1}{2}$) specified for women.
- N.B. Children still subject to relay system.

1853. *Amendment of Peel's Act:*

- Hours specified for children.

EXTENSION OF FACTORY ACTS TO NON-TEXTILES:

1845. *Textile Print Works Act.*1860. *Bleach and Dye Works Act.*1864. *Factory Act:*

- Earthenware, lucifer matches, percussion-caps, cartridges.

1867. *Factory Acts Extension Act:*

- Extended existing law to

- (1) Iron, engineering, gutta-percha, paper, glass, printing, book-binding, tobacco.
- (2) All industries employing more than fifty persons in one establishment.

EXTENSION OF FACTORY ACTS TO WORKSHOPS:

1867. *Workshop Regulation Act:*

- (1) Definition of a workshop.

- (2) Children under eight not to be employed.
- (3) Children 8-13, half-time.
- (4) Women and young persons, maximum of twelve hours per day.
- (5) Local inspectors.
- N.B. (a) No strict definition of working day. Relay system possible.
- (b) Applicable only to establishments with fewer than fifty employees, and not to these if they came under Factory Acts.
- (c) Home work excluded.
- (d) Men's establishments excluded.
- (e) Inspection ineffective.

1871. *Factory and Workshops Act:*
Inspection of workshops transferred to factory inspectors. (But sanitary conditions dealt with by sanitary inspectors.)

1874. *Factory Act:*
(1) Women, maximum of ten hours per day (56½ hr. per week).
(2) Children under nine (ten, after a year) not to be employed.
(3) Half-time system extended to children under fourteen.
(4) Silk mills included.

CODIFICATION:

1878. *Factory and Workshops Act:*
(1) Textile factories. Law unchanged.
(2) Non-textile factories. Those specifically brought under regulation by the Acts of 1864, 1867, and 1870, but not those included merely because they employed more than fifty workers.
(3) Workshops (no power-driven machinery) which employed young persons under eighteen.
(4) Workshops which did not employ young persons under eighteen. (Women's workshops.)
(5) Domestic workshops. Labour of children, but not that of women, regulated.
N.B. (a) Establishments in which only men were employed were not regulated.
(b) Dual inspection.

LATER ACTS:

1883. *Factory Act:*
White-lead works.
Bakehouses.

1889. *Cotton Cloth Factory Act:*
Artificial humidification.

1889. *Cruelty to Children Act:*
Theatrical entertainments.

1891. *Factory and Workshops Act:*
(1) Children under eleven not to be employed.
(2) Changes in system of inspection.
(3) Outworkers.
(4) General safety rules.
(5) Special safety rules for some industries.
(6) Home Secretary empowered to frame rules for dangerous trades.

1895. *Factory Act :*
 (1) Work of children limited to thirty hours per week.
 (2) Children under fourteen not to work at night.
 (3) Docks, wharves, quays, laundries.
 (4) Home Secretary empowered, within limits, to regulate establishments in which only men were employed.
1896. *Occupational diseases :*
 To be notified by doctors to factory inspectors.
1898. *Factory Act :*
 Special rules for indiarubber works, wool-sorting works, lead works.
- TWENTIETH-CENTURY ACTS :**
1901. *Factory and Workshops Act :*
 Included
 (1) Raising minimum age to twelve.
 (2) Regulations for dangerous trades.
1908. *Matches :*
 Use of white phosphorus forbidden.
1913. *Pottery :*
 Special regulations.
1918. *Education Act :*
 Abolition of half-time system.
1937. *Factories Act :*
 (1) Working week reduced :
 For women, and young persons 16-18, to 48 hours.
 For young persons under 16, to 44 hours.
 (2) Limitations on permitted overtime.
 (3) Factory Acts to cover film establishments and certain engineering constructions and building works.
 (4) Regulations on lighting, temperature, ventilation, cleanliness.
 amount of air space per worker.
 sanitary accommodation.
 medical supervision.
1938. *Young Persons Employment Act :*
 Similar limitation of hours for young persons employed as messengers and in delivery of goods.
1938. *Shops Act :*
 As above, for young persons employed in shops.
1944. *Education Act :*
 Compulsory school attendance to age of 16. When Act becomes effective, no young persons under 16 to be employed in factories.

22. BRITISH RAILWAYS

CHARACTERISTICS :

- (1) High initial cost :
 (a) Invention in Great Britain. Experiment.
 (b) Parliamentary proceedings.

- (c) Purchase of land.
- (d) Engineering problems—cuttings, embankments, bridges, tunnels.
- (e) Solidity of construction.
- (f) Safety devices.
- (2) Private enterprise. No State assistance.
- (3) Competition with roads and canals. Parliamentary encouragement of competition.
- (4) No planned system. Short lines. Connection and inter-running came later. Uniformity of gauge necessary.
- (5) Built primarily for goods traffic.
- (6) Much rolling stock privately owned.

DEVELOPMENT OF THE RAILWAY SYSTEM:

Road bed:

- 17th c. Colliery roads—wooden plates.
- 1738. iron plates.
- 1767. iron rails.
- flanged wheels on trucks.
- Short railways, worked by horses.

Locomotives:

- On public roads—Trevithick, Blenkinsop, Hedley.
- On colliery road—Stephenson.

Locomotives on rails:

- The two lines of development were brought together.
- 1825. Stockton and Darlington.
- 1830. Liverpool and Manchester.
- Other lines followed.
- 1843-7. Railway mania.
- By 1850. Network of lines.

CONSOLIDATION:

- (1) Amalgamation of two or more lines.
- (2) Purchase of one line by another.
- (3) Uniformity of gauge. (Broad gauge retained by Great Western until 1892.)
- (4) Carriage of goods and passengers over more than one line at a single charge.
- 1842. (5) Railway Clearing House.

GROWTH OF STATE CONTROL:

Early period:

- Slight degree of control. *Laissez-faire* principles of private enterprise and free competition maintained.
- 1840. Inspection of new lines by Board of Trade.
- 1842. Board of Trade empowered to delay opening of new lines.
- to receive notice of accidents.
- to hold inquiries.
- to approve by-laws.
- State empowered to purchase lines.
- Limitation of railway dividends.
- Prohibition of preferences (ineffective).
- "Parliamentary" train.
- 1844. Maximum rates for carriage of goods.
- 1845. Uniformity of gauge (except Great Western).
- 1846.

- 1852-3. Cardwell's Commission.
 1854. Cardwell's Act again forbade preferences (ineffective).

Railway and Canal Commission :

1873. Established for five years. Then from year to year.
 1888. Permanent.

Functions :

- (1) Enforcement of law against preferences.
- (2) Examination of proposed amalgamations.
- (3) Sanctioning of through rates.
- (4) Adjudication of disputes between companies.
- (5) Sanction to purchase of canals.

Results :

- (1) Inadequate power to enforce decisions.
- (2) Companies disposed to accept decisions.
- (3) Unable to prevent further amalgamations.
- (4) Preferences overcome.

RAILWAY RATES:

1888. *Railway and Canal Traffic Act :*
 - (1) Commission permanent.
 - (2) Settlement and publication of railway rates.
 - (3) Prohibition of regional preferences.
 - (4) Prohibition of preferential rates for foreign goods.

The Rates problem :

New classification settled.

New maximum rates proposed—some up, some down.
 Objections lodged and considered.

1893. Revised new maximum rates enforced (1st Jan.). Outcry from those affected prejudicially.

Reversion to old rates, with an addition of five per cent, where legally permitted.

1894. Companies prohibited from increasing rates above 1892 level without showing reasonable cause.

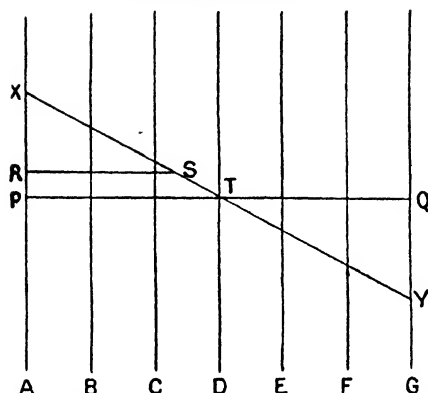
(A graph showing effects of new and old rates on different classes of goods is shown on page 405.)

1914-20. WAR PERIOD:

State control for war purposes.

1920-39. BETWEEN TWO WARS:

1923. (1) Amalgamation into four great companies.
 (2) Railway Rates Tribunal:
 - (a) To aim at "standard revenue."
 - (b) Abolition of existing classification of goods, and establishment of new classification.
 - (c) "Standard" rates and fares established.
- (3) Labour conditions:
 Central and National Wages Boards (to 1935).
 Railway Staff National Council and Tribunal (since 1935).
- (4) Competition of motor traffic, for passengers and goods.
1937. (5) Tribunal authorised increase of five per cent in fares and rates.
1938. (6) "Square Deal" appeal by railway companies. Some relaxation of restrictions which hampered railways in competing with road traffic. Position affected by outbreak of war.



Different classes of goods are indicated by vertical lines.

- Before 1893. PQ — Old level of rates.
 1st Jan., 1893. XY — New level of rates. (Goods A, B, C, would be conveyed at higher rates; E, F, G, at lower rates.)
 1st March, 1893. RSTY — Reversion to old level of rates with addition of five per cent, so far as legally possible.
 1894. PTY — Level of rates imposed on the companies by statute, except where special cause for increase could be shown.

1939— WAR PERIOD:

1945. State control for war purposes. State took railway receipts and paid companies £43,000,000 per annum. Deterioration of system during war.

NATIONALISATION:

1947. *Transport Act*:
 (1) Transport Commission to control railways, canals, and road haulage undertakings.
 (2) Railway Rates Tribunal
 (3) Railway and Canal Commission } abolished.
 (4) Transport Tribunal to approve fares and rates.

23. AGRICULTURE SINCE THE MIDDLE OF THE NINETEENTH CENTURY

1850— THE GOLDEN AGE:

1875. (1) Foreign competition not excessive.
 (2) Rents moderate.
 (3) Lower national and local taxation.
 (4) Period of rising general prices.
 (5) Little unemployment. Rising wages. Working-class prosperity.
 (6) Agricultural shows. Competition. Spread of information.
 (7) Improvements in technique:
 (a) Agricultural chemistry.
 (b) Fertilisers.

- (c) Root-crops.
- (d) Importation of cattle foods.
- (e) Improvement in cattle breeding.
- (f) Machinery.
- (g) Drainage of land.

(8) Railway system:

- (a) Wider market for produce.
- (b) Facilitated distribution of machinery, fertilisers, and seed-corn.

(9) Beginning of rural exodus.

1875- THE GREAT DEPRESSION:

- 1900.
- (1) Bad harvests. Excessive drought or excessive rainfall.
 - (2) Stock diseases.
 - (3) Competition of imported wheat, mutton, beef, canned goods, dairy produce, potatoes, fruits.
 - (4) Heavy fall in wheat prices.
 - (5) Depreciation in price of silver.
 - (6) Rents fell.
 - (7) Labour difficulties. Rural exodus continued.

1882. *Richmond Commission:*

- (1) Distribution of depression unequal.
- (2) Causes of depression:
 - (a) Bad harvests.
 - (b) Heavy rates.
 - (c) Cattle disease.
 - (d) Lack of agricultural education.
 - (e) High rents.
 - (f) Unfair railway rates.
 - (g) Foreign competition.

1893-7. *Eversley Commission:*

- (1) Features of the depression:
 - (a) Fall in value of silver.
 - (b) Loss of capital.
 - (c) Corn land out of cultivation.
 - (d) Migration of labour.
- (2) Recommendations:
 - (a) Market gardening.
 - (b) Fruit growing.
 - (c) Dairy farming.
 - (d) Flower growing.
 - (e) Poultry farming.
 - (f) Potatoes.
 - (g) Bulbs.

1900- EARLY TWENTIETH CENTURY:

1914. *Indications of improvement:*

- (1) Other forms of production than cereals.
- (2) Improvement in sanitary conditions for cattle.
- (3) Pedigree stock breeding.
- (4) Dairy farming.
- (5) Fruit and vegetables. Jam industry.

Small Holdings movement :

- To counteract rural exodus. Intensive cultivation. Desirable on social grounds.
1892. County Councils empowered to provide small holdings to be sold to suitable applicants.
1908. Compelled . . . to be let or sold. . . .
1918. Extension of movement, for ex-servicemen.
1931. Act for establishment of very small holdings, without houses. Little action.
- Small holdings suitable for pigs, poultry, vegetables. Unsuitable for dairy and fruit farming.

Allotments :

1882. Local authorities empowered to provide them.
1887. Compelled.
- 1914-19 Importance during European War.

LEGISLATION TO ASSIST AGRICULTURE :

- 1875-1906. Compensation for improvements.
1878. Cattle disease—sanitary regulations.
1880. Protection from rabbits, etc.
- 1893-9. False descriptions of foodstuffs.
- Excise duties applied to technical education.
1896. } Agricultural rates.
1929. }

1914- WAR PERIOD :

1919. Great prosperity.
- (1) Restoration of arable.
 - (2) High price of wheat.
 - (3) State control of farming.
 - (4) Guaranteed minimum price of wheat.
minimum wage to labourers.

PERIOD BETWEEN WARS :

Renewed depression.

1921. (1) Minimum wage and price discontinued.
1924. (2) Minimum wage restored.
- (3) Foreign competition.
 - (4) Land nationalisation question to the fore.
- 1931-2. (5) Abandonment of Free Trade. Colonial preference.
- (6) Good harvests, but low prices.
 - (7) Increased demand for dairy produce.
 - (8) Rural exodus continued.

1939- WAR PERIOD :

1945. (1) County War Agricultural Committees:
- (a) To direct farmers as to crops and rotation.
 - (b) To remove inefficient farmers.
 - (c) To order ploughing of grass lands (parks, golf courses, etc.).
 - (d) To supply machinery and fertilisers.
- (2) Agricultural Research Council.
 - (3) Agricultural Improvement Council.
 - (4) Rise in price of wheat to over 70s. per quarter.
 - (5) Very good harvests. (1942 and 1943 best on record.)

- (6) Labour:
 - (a) Labourers reserved from armed forces.
 - (b) Women's Land Army.
 - (c) Prisoners of war.
 - (d) Voluntary workers.

POST-WAR POLICY:

- (1) To produce as much food as possible within the country.
 - (2) Control of prices for definite periods. Changes to become effective only after notice of, possibly, two years.
 - (3) County Agricultural Committees to carry on the work of the County War Agricultural Committees.
 - (a) To advise farmers.
 - (b) To direct farmers.
 - (c) To place inefficient farmers under supervision. Might be removed if they did not improve.
 - (d) To assign small holdings only to experienced workers.
1946. (4) Hill Farming Act:
 Government grant (50 per cent) towards cost of schemes of rehabilitation; to include
- (a) Necessary buildings, roads, drainage.
 - (b) Improvement of hill pasture.

24. NATIONAL FINANCE SINCE THE REVOLUTION OF 1688-9

FINANCIAL MEASURES—T. REVOLUTION:

- (1) Separation of Civil List from Supply Services.
- (2) Appropriation of Supplies.
- (3) Attempted Audit of Accounts.

FINANCIAL MEASURES—T. WILLIAM III:

- (1) Customs and excise.
- (2) Land tax. Four shillings in the pound.
- (3) Borrowing.

17th- NATIONAL DEBT:

- 18th c. Borrowing from goldsmiths by Stuarts.
- 1672. "Stop of the Exchequer," by Charles II.
- 1693. Loan of £1,200,000. Bank of England.
- Further loans.
- By 1697. £21,000,000.
- By 1702. £16,000,000.
- By 1713. £54,000,000.
- 1720. South Sea Scheme. Attempted conversion.
- Walpole's sinking fund.
- By 1742. Debt amounted to £47,000,000.
- By 1748. £78,000,000.
- 1749. Conversion to 3½ per cent. Then 3 per cent.
- By 1756. £72,000,000.
- By 1763. £160,000,000.
- By 1783. £250,000,000.
- Pitt's sinking fund
- By 1793. £239,000,000.
- By 1802. £530,000,000.
- By 1815. £831,000,000, with £47,000,000 unfunded.

WALPOLE'S FINANCIAL MEASURES:

- (1) Sinking fund.
- (2) Many duties removed or reduced.
- (3) Bonded warehouses—tea and coffee.
- (4) Reduction of land tax.

PITT'S FINANCIAL MEASURES (PEACE):

- (1) Reductions in duties.
- (2) Loans by public tender.
- (3) Assessed taxes.
- (4) Classification of goods simplified.
- (5) Bonded warehouses—extension.
- (6) Consolidated fund.
- (7) Systematic audit.
- (8) Sinking fund.

PITT'S FINANCIAL MEASURES (WAR):

- (1) Sinking fund continued.
- (2) Increase of assessed taxes.
- (3) Income tax.
- (4) Loans. (Loan policy open to criticism.)

1797.
1798.

TORY FINANCE AFTER 1815:

- (1) Discontinuance of income tax.
- (2) Heavy indirect taxation.

FREE TRADE MOVEMENT:

Pitt:

Early measures, referred to above.

Huskisson:

- (1) Abolished bounties on exports.
- (2) Reduced some duties.

Peel:

- (1) Abolished duties on most imports of raw materials.
- (2) Reduced duties on many imports of manufactured goods
- (3) Abolished duties on exports.
- (4) Income tax.

Russell:

Sugar duties reduced.

Gladstone:

- (1) Abolished or further reduced duties.
 - (2) Extended legacy duties.
 - (3) Abolished most remaining duties.
- (Customs duties retained on forty-eight articles. for revenue only.)

1853.
1860.

19th— NATIONAL DEBT:

- 20th c. For many years, little reduction
1829. Pitt's sinking fund abandoned.
1844. Conversion of part of Debt from $3\frac{1}{2}$ per cent to 3 per cent.
1875. Sinking fund of £28,000,000 per annum.
1888. Conversion, from 3 per cent to $2\frac{1}{2}$ per cent, and, after fifteen years, to $2\frac{1}{4}$ per cent.
- 1899— } Addition of £160,000,000 to Debt.
1902 }

ENGLISH ECONOMIC HISTORY

- Sinking fund of £29,500,000.
- Debt reduced to £650,000,000.
- Debt over £8,000,000,000, mainly at 5 per cent.
- Conversion from 5 per cent to $3\frac{1}{2}$ per cent.
- Debt reached about £24,000,000,000.

INCOME TAX:

- 1842. 7d. in the £ on incomes of over £150 per annum. Three years.
- 1845. Continuation of income tax. Regarded as temporary.
- 1853. Gladstone's scheme for extinction of tax by 1860.
- 1854. 1s. 2d. in the £. (Crimean War.)
- 1855. 1s. 4d. in the £.
- 1858. 5d. in the £.
- 1859. 9d. in the £. (Fear of war with France.)
- 1860. 10d. in the £.
- Reductions in following years.
- 1874. 2d. in the £. Lowest point reached.
- Many changes in subsequent years.
- 1907. Tax regarded as permanent. Distinction between earned and unearned incomes.
- 1914. High income tax. For some years, 6s. in £, with super-tax of 6s. onwards.
- on very large incomes.
- Some reduction after 1922.
- 1939-45. War period. Income tax of 10s., with surtax of 9s. 6d. on very large incomes.

25. TRADE UNIONISM

ORIGIN:

In eighteenth century. Factory system. Early unions tried to secure observance of Statute of Artificers.

1799-1824. TRADE UNIONISM ILLEGAL.

- 1799-1800. (1) By Combination Laws.
(2) By ancient statutes.
(3) By common law.

Reasons for suppression:

- (1) Fear of revolutionary activity.
- (2) Current economic theory.

Trade Unions in this period:

- (1) As friendly societies.
- (2) As secret societies.

1824-71. LIMITED LEGALISATION:

Efforts of Place and Hume.

1824-5. *Trade Union Acts:*

- (1) Legalised combination for purpose of negotiating wages and hours.
- (2) Prohibited molestation of non-strikers by strikers.

Early Unions:

- (1) Small. Strikes. Collapse.
- (2) Large. Aimed at economic reconstruction. Failed.

- (3) Well-organised, with friendly and trade benefits. "Old Unionism."

1867. ROYAL COMMISSION:

Complaints against Trade Unions:

- (1) Destruction of friendly relations between masters and men.
- (2) Deterioration in character of working men.
- (3) No financial advantage to members.
- (4) Cause of strikes.
- (5) Acted in restraint of trade.

Complaints on behalf of Trade Unions:

- (1) Legalisation still limited, so that most aims and activities of Trade Unions were illegal.
- (2) No protection for funds.

Majority Report:

Findings:

- (1) Disposition to strike did not increase with power of union.

Recommendations:

- (1) Further relaxation of Combination Laws.
- (2) Registration of Trade Unions.
- (3) Protection for funds.
- (4) Separation of friendly and trade union funds.

Minority Report:

Findings:

- (1) Disposition to strike inversely proportionate to strength of union.
- (2) Larger unions contributed to stability of trade.
- (3) Acts of violence occurred chiefly where Trade Unions were weak or non-existent.

Recommendations:

- (1) No separation of funds.
- (2) Repeal of Combination Laws.
- (3) Registration of Trade Unions.
- (4) Protection for funds.

LEGALISATION OF TRADE UNIONS:

1869. *Trade Unions (Protection of Funds) Act.*

1871. *Trade Union Act:*

- (1) Union not unlawful merely because it might act in restraint of trade.
- (2) Registration—optional.
- (3) Registered unions could hold property and bring and defend actions at law.
- (4) Protection for funds.

1871. *Criminal Law Amendment Act:*

Heavy penalties for picketing and intimidation

1875. *Conspiracy and Protection of Property Act:*

Legalised peaceful picketing.

1876. *Trade Union Act:*

Amended law relating to registration.

TRADE UNIONISM—LATE 19th CENTURY:

Agricultural labourers.

Unskilled workers:

Gas-workers.

Match girls.

Dock labourers.

Railway workers.

"New Unionism."

TRADE UNIONISM—EARLY TWENTIETH CENTURY:(A) *Taff Vale Case*:

Strike. Action against union. Damages.

1906. Trade Union Act. Trade unions relieved of civil liability.

(B) *Osborne Case*:

Political activity of unions.

1913. Trade Union Act. Sanctioned political activity, subject to "contracting out."

1927. Trade Union Act . . . , subject to "contracting in."

1946. Repeal of Act of 1927.

OTHER FEATURES OF TRADE UNIONISM:

(1) Less active among female workers (Factory Acts).

(2) Extension to non-manual workers.

(3) Federations.

(4) Trade Union Congress.

(5) The "closed shop" policy.

26. MODERN BRITISH SHIPPING**TECHNICAL ADVANCE:**

(1) Steam. At first, supplementary to sail. Suez Canal for steamships only.

(2) Propulsion. Paddle. Later, screw.

(3) Material:

Wood.

Iron.

Steel. Lighter. More cargo. Lower freights.

(4) Engines:

Compound.

Triple-expansion.

Quadruple-expansion.

Turbines.

(5) Fuel. Coal. Later, oil.

N.B. British shipowners have taken advantage of improvements.

Older vessels sold out. British mercantile marine up to date.

STATE CONTROL:

Small, by comparison with that of railways.

Various abuses, through lack of inspection and control.

1875-6. *Merchant Shipping Acts*:

(1) Penalties on owners for unseaworthiness of ships.

(2) Deck cargoes limited.

(3) Load-line established.

Later Acts:

Rules for safety of grain-ships.

Safety of passengers :

- (1) Lifebuoys, boats, etc.
- (2) Wireless equipment.

REASONS FOR BRITISH PRE-EMINENCE IN SHIPPING :

- (1) The result of British industrial supremacy, and the export of British goods.
- (2) Outward and inward cargoes.
- (3) Tramp steamers for the carrying trade.
- (4) Cheap shipbuilding:
 - (a) Great volume of building.
 - (b) Specialisation.
 - (c) Division of labour.
 - (d) Abundance of coal and iron near the coast. (Cf. United States.)
 - (e) Skilled engineers and shipwrights.

Late SHIPPING DEPRESSION :

- 19th c. (1) Excessive amount of tonnage afloat:
 - (a) Improved ships. Greater speed and cargo space.
 - (b) Shortened routes. Suez Canal.
- (2) Fall in freights.
- (3) German competition:
 - (a) Expansion of German industry.
 - (b) State assistance to German mercantile marine.

COMBINATION IN SHIPPING :

- (1) The conference system. Freights fixed. Undercutting prevented. Applicable to liners—not to tramps.
- (2) Deferred rebate system. To ensure continuity of custom by merchants.

Advantages :

- (1) Tended to stability of rates, so that merchants could quote prices which would include carriage.
- (2) Better services by companies; larger ships.
- (3) Lowering of working costs.
- (4) Elimination of competitive advertising.

Criticism :

Monopolistic.

1906. Royal Commission :

Did not condemn the conference system.

1923. Imperial Shipping Committee :

Regarded the deferred rebate system as reasonable.

DEPRESSION BETWEEN THE TWO WARS :

- (1) Excessive shipbuilding.
- (2) Depression in trade. Restriction of imports by many countries.
- (3) Many ships laid up.
- (4) Demarcation between liners and tramps less clear.
- (5) Demand for State assistance.
- (6) Some State assistance (subsidies and loans).

POST-WAR PERIOD :

Need to restore losses of war period.

- (1) Great Britain received forty-six per cent of German tonnage surrendered.

- (2) Purchases from United States.
- (3) New building. Material and labour insufficient. Yet more than half the new building in the world in 1946 was in British shipyards.

1947. **CONDITIONS OF SERVICE IN MERCHANT NAVY:**

- (1) Wages, hours, leave, continuity of employment, standardised.
- (2) Better quarters and adequate diet.

27. THE CO-OPERATIVE MOVEMENT

CO-OPERATION:

The reconciliation of interests which are normally regarded as competitive.

CO-OPERATION IN RETAIL TRADING:

1844. Rochdale Pioneers.
Development of the system in most parts of the country.

Principles:

- (1) Capital provided by members.
- (2) Out of gross profits:
 - (a) Five per cent interest paid on capital.
 - (b) A sum devoted to education, etc.
 - (c) Balance distributed as dividend, in proportion to purchases.
- (3) Dividends might accumulate for purchase of qualifying shares.
- (4) Cash trading.
- (5) Management controlled by members, whose voting rights were equal.

Range of business:

Originally, grocery and provisions.
Later, meat, milk, bread, clothing, boots, drapery, coal, etc.

Reasons for success:

- (1) Financial advantage to members.
- (2) Standard of quality maintained.
- (3) No bad debts.
- (4) Regular clientèle, whose wants are well known.
- (5) No necessity to advertise.

1864. **Co-operative Wholesale Society:**

Stands in the same relationship to the retail societies as these to their members.

- (1) Capital of C.W.S. provided by retail societies.
- (2) Retail societies receive:
 - (a) Interest on capital.
 - (b) Dividend on purchases.

These tend to augment dividends of members of retail societies.
Wholesale Society also manufactures certain goods, and conducts a banking business.

Other societies:

Civil Service Supply Association, etc. Conducted on different principles. Differ little from other establishments which do not claim to be co-operative.

CO-OPERATION IN PRODUCTION:

Principles :

- (1) Workmen were shareholders, and provided capital.
- (2) They received:
 - (a) Wages.
 - (b) Interest on their capital.
 - (c) Dividend from the net profits.
- (3) Management by a paid manager, or a committee of workmen.

Reasons for failure :

- (1) Large amount of capital required.
- (2) Management often inefficient.
- (3) Competition between one co-operative factory and another.
- (4) Prosperous co-operative factories have abandoned co-operative principles in engaging additional workers who have not become shareholders.

CO-OPERATION IN AGRICULTURE:

Principles :

- (1) Labourers were shareholders, owning farm and providing capital.
- (2) They received:
 - (a) Wages.
 - (b) Interest on their capital.
 - (c) Dividend from the net profits.
- (3) Management by the labourers themselves.

Reasons for failure :

- (1) Labourers too poor to provide capital. Philanthropic assistance necessary.
- (2) Effect of agricultural depression.

CO-OPERATION IN CREDIT:

Building Societies. Subscriptions of members provided capital which could be loaned to any member who wished to buy a house. Much success.

N.B. House purchase also assisted by Co-operative Retail Societies. Dividends devoted to repayments.

UNION OF CO-OPERATIVE SOCIETIES:

1869. Co-operative Congress. Annual meeting.
 Co-operative Union. To direct policy.
 Some political activity. but no direct connection with any political party.

28. PAUPERISM

POVERTY IN THE MIDDLE AGES:

No State action. Distress relieved by

- (1) Gilds.
- (2) Monastic charity.
- (3) Great nobles.
- (4) Hospitals and lazarus-houses.

CAUSES OF POVERTY IN TUDOR TIMES:

- (1) Expulsion of villagers in consequence of pasture-farming.
- (2) Unemployment among journeymen.

- (3) Cessation of war. Discharged soldiers.
- (4) Dispersal of baronial retainers.
- (5) Dissolution of the monasteries.
- (6) Decay of gilds.

TUDOR POLICY:

Punishment:

- 1531. Whipping vagabonds.
- 1547. Branding vagabonds.

Relief:

- 1536. (1) Impotent poor to be relieved.
(2) Able-bodied to be provided with work.
(3) Lazy to be punished.
(4) Children to be apprenticed.
- 1547. Voluntary alms for poor to be collected in church. Statute repeated in 1552 and 1557.
- 1563. Justices of the Peace to exhort men to contribute; failing this, to compel them.
- 1572. Compulsory levy (poor-rate). Overseers appointed.
- 1576. (1) Employment to be given to workless. Materials to be purchased.
(2) Houses of correction for the idle.
- 1601. *Poor Law:*
A codification of the existing law.
(1) Each parish responsible for its own poor.
(2) Impotent to be maintained.
(3) Able-bodied to be provided with work.
(4) Idle to be compelled to work, in houses of correction.
(5) Children to be apprenticed.
(6) Funds to be provided from recusancy fines and from proceeds of poor-rate.

EARLY STUART POLICY:

Vigorous administration. The Council supervised the work of Justices of the Peace.

- 1662. **LAW OF SETTLEMENT:**
Limited right of migration of poor.

- 1722. **WORKHOUSE ACT:**
Limited relief to those who entered workhouse. Workhouses maintained by contractors. Stringency of administration. Suffering.

- 1782. **GILBERT'S ACT:**
Relaxed severity of administration. Permissive.
(1) Parishes might combine for greater efficiency of administration.
(2) Paid guardians of the poor appointed to distribute poor-relief.
(3) Guardians to provide work for able-bodied. Empowered to supplement wages with relief, if necessary.
(4) Justices, as well as guardians, might grant relief.
(5) Workhouse limited to aged, sick, infirm, and children.
(6) Children might be boarded out.

To be commended:

- (1) Enlargement of area.
- (2) More humane treatment of children.

To be condemned :

- (1) Practical abolition of workhouse test.
- (2) Powers of Justices liable to abuse.

SPEENHAMLAND SYSTEM:

1795. Began at Speenhamland. Rapid spread. Relief granted, to supplement wages.

Types of relief :

- (1) Allowance system.
- (2) Relief without labour.
- (3) Roundsmen system.
- (4) Direct employment by parish.
- (5) Agreement among well-to-do ratepayers to employ paupers.

Pro :

- (1) Preservation of poor from actual starvation.
- (2) Impossible to develop a properly considered scheme in the middle of the French War.

Con :

- (1) Degradation of the labouring class.
- (2) Early and improvident marriages.
- (3) Wages remained low.
- (4) No inducement to labourers to work hard.
- (5) Corruption of officials.
- (6) Burden of poor-rate.

1832. *Royal Commission :*

Drew attention to the abuses of the system and recommended its abolition.

1834. **POOR LAW AMENDMENT ACT :**

- (1) Central body of Poor Law Commissioners.
- (2) Parishes to be grouped in unions.
- (3) Boards of Guardians, elected. Little independent power.
- (4) Relief granted by relieving officers, appointed by, but not removable by, guardians.
- (5) Workhouse test reimposed.
- (6) Outdoor relief limited to aged and sick.

Results :

- (1) Hardship, for a time.
- (2) Recovery of self-respect by labouring class.
- (3) Did nothing towards providing work for unemployed.

Later modifications :

Under certain conditions, some outdoor relief was permitted for the able-bodied.

Income from friendly society disregarded in assessing needs of applicant.

Better treatment of pauper children.

- 1905-9. **ROYAL COMMISSION :**

Conclusions :

- (1) Causes of pauperism:
 - (a) Drunkenness
 - (b) Old age.

- (c) Feeble-mindedness.
- (d) Improvident marriage.
- (e) Casual labour.
- (f) Blind-alley occupations.
- (2) Workhouse not always a deterrent.
- (3) Outdoor relief inadequately supervised.
- (4) Condemned retention of children in workhouses.

Recommendations :

- (1) Abolition of existing areas and authorities.
- (2) Administration by councils of counties and county boroughs.
- (3) More thorough classification of paupers, with appropriate treatment for each class.
- (4) Children in cottage homes, or boarded out.
- (5) Vagrants in labour colonies.
- (6) Aged poor in separate homes.
- (7) Outdoor relief under specified conditions.

1929. LOCAL GOVERNMENT ACT :

- (1) Abolition of existing areas and authorities.
- (2) Poor law administration by councils of counties and county boroughs, acting through Public Assistance Committees.
- (3) In force, April 1930.

1947. NATIONAL ASSISTANCE ACT :

National Assistance Board, to assist

- (1) Blind persons.
- (2) Persons suffering from tuberculosis.
- (3) Vagrants.
- (4) Old persons.

29. PUBLIC HEALTH

BEFORE THE NINETEENTH CENTURY :

No proper sanitary system. No proper water-supply. High death-rate. Infectious diseases prevalent. Very high rate of infant mortality.

Some improvement in public health in eighteenth century. Plague ceased.

Unsatisfactory conditions in industrial towns.

IMPROVEMENT :

- 1848. Board of Health. To set up local Boards of Health, for the provision of drainage, water-supply, street-cleaning.
- 1858. Board ceased to exist.
- 1871. Local Government Board.
- 1872. Public Health Act. Urban and rural sanitary districts.
- 1875. Public Health Act :
 - (1) Each authority to appoint a medical officer, a surveyor, and a sanitary inspector.
 - (2) Provision of water-supply, and sewers.
 - (3) Infectious diseases.
 - (4) Making, paving, lighting, and cleaning of streets.
 - (5) Nuisances.
 - (6) Unsound food.

HOUSING PROBLEM:

1851. Local authorities empowered to erect cottages.
 1868. Artisans' and Labourers' Dwellings Act. Condemnation of unfit property.
 Continued shortage of houses, especially after war of 1914-18.
 State action after the war. Subsidies.
 Five-year plan for dealing with slums.
 State programme of house-building after war 1939-45.

EXTENSION OF PUBLIC HEALTH ACTIVITY:

1911. National Health Insurance.
 1907. Notification of births. Health visitors.
 Certification of midwives, to reduce maternal mortality.
 Tuberculosis treatment.
 1919. Ministry of Health.

1946. NATIONAL HEALTH SERVICE ACT:

- (1) Services to include medical attendance, hospital treatment, midwifery, vaccination, dental treatment.
 (2) Open to all persons without charge.
 (3) Expense borne by insurance contributions.
 local rates.
 Exchequer grants.

30. THE ENGLISH BANKING SYSTEM

THE MIDDLE AGES:

- No banking. Usury forbidden. Money-lending by Jews.
 1545. Interest legalised.
 1624. Maximum rate of 8 per cent.
 1652. 6 per cent.

17th c. GOLDSMITHS:

- Used their surplus capital in developing the business of banking.
 Issued notes. Accepted deposits. Offered interest.
 Banking by goldsmiths unregulated. Interest on deposits and loans too high. Security uncertain.
 1672. Stop of the Exchequer. Goldsmiths in difficulties.
 Opinion in favour of a chartered bank.

1694. BANK OF ENGLAND:

- Loans to Government.
 Charter:
 (1) To issue notes.
 (2) To discount bills.
 (3) To make loans on security.
 (4) To receive deposits.
 Periodical renewal of charter. Additional gifts and loans to Government. New concessions.
 1708. Monopoly of joint-stock banking.
 N.B. (1) The monopoly referred to the issue of notes, which was regarded as essential to banking.
 (2) Other joint-stock banks might have been formed for deposit banking. No such banks established before 1826.

- (3) Eighteenth-century banking limited to
 - (a) Bank of England.
 - (b) Private bankers—goldsmiths, and their successors.
- (4) The monopoly was not to the advantage of banking development, especially in the provinces.
- (5) The system was adequate until the Industrial Revolution.

EARLY NINETEENTH CENTURY:

- Many private banks. Some well managed. Others were of limited resources. Notes issued.
- Few private banks able to withstand "runs."
- Frequent financial crises. Failure of many country banks.
1797. Suspension of cash payments by Bank of England.
- 1819-21. Cash payments resumed.
1825. Further crisis. Failure of seventy banks.

1826. *Banking Act:*

- (1) Joint-stock banks, with power of issuing notes, might be established in any place more than sixty-five miles from London.
 - (2) Issue of notes for less than £5 forbidden.
- N.B. (1) Bank of England's monopoly limited to region within the sixty-five-mile circle.
- (2) Bank of England still did business in the provincial towns, in competition with other joint-stock banks.

1833. *Banking Act:*

- (1) Joint-stock banks might transact business other than the issue of notes, within the sixty-five-mile circle.
 - (2) They might redeem their notes at offices within the circle.
 - (3) Notes of Bank of England became legal tender. Other banks might redeem their notes with Bank of England notes.
- N.B. Foundation of many important joint-stock banks. Hostility of Bank of England and the private banks. Admission to Clearing House refused.

Problem of controlling volume of note-issue:

- (A) *Currency School.*
Favoured a gold backing for all notes.
- (B) *Banking School.*
Held that the amount of issue should be determined by the requirements of trade. (Indefinite.)

1844. **BANK CHARTER ACT:**

- (1) Bank of England to be divided into Issue Department and Banking Department.
- (2) Issue Department to issue notes:
 - (a) To £14,000,000, backed by securities.
 - (b) Amount in excess of £14,000,000, backed by bullion.
- (3) Any person might demand notes for bullion, at £3 17s. 9d. per ounce of 22-carat gold.
- (4) Weekly return.
- (5) Existing banks of issue to retain right of issue, to limited amounts, unless
 - (a) Amalgamations occurred.
 - (b) Country bank opened office in London.

- (c) Bankruptcy.
- (d) Suspension of issue.
- (6) When issues lapsed, fiduciary issue of Bank of England might be increased by two-thirds of lapsed issue.
- (7) No new bank and no amalgamation of existing banks might issue notes.
- N.B. (1) Country issues not entirely extinct till 1921.
- (2) Fiduciary issue of Bank of England then reached £19,750,000.
- (3) After 1844, no increase of currency possible by issue of bank notes.
- (4) Increasing use of cheques.
- (5) Occasional financial crises after 1844.

POSITION OF BANK OF ENGLAND:

- (1) A central bank.
 - (a) Issue of notes.
 - (b) Management of National Debt.
 - (c) Concerned in stock issues.
- (2) Advises Government on financial policy.
- (3) A bankers' bank. Reserves of other banks deposited with Bank of England.

MODERN BANKS:

- (1) Large banks formed, by amalgamation of smaller houses.
- (2) Limited liability.
- (3) Great stability of large establishments, with many branches.
- (4) Clearing system.

CURRENCY AND BANKING DEVELOPMENTS AFTER 1914:

- 1914. Issue of currency notes. Gradual concentration of gold in the Bank of England. Currency notes only partially covered by gold. Unfavourable foreign exchanges.
- 1919-24. Policy of deflation. Amount of currency notes in circulation reduced by £70,000,000. Foreign exchanges improved.
- 1925. *Gold Standard Act*:
Gold Standard restored. Gold could be withdrawn (only in large quantities) for export only. Resulted in stimulation of imports, and increase of unemployment.
- 1931. Financial crisis. Gold Standard abandoned.

1928. CURRENCY AND BANK-NOTES ACT:

Substitution of bank notes for currency notes. Total fiduciary issue of £260,000,000.

EXCHANGE EQUALISATION FUND:

- (1) To smooth temporary fluctuations in exchanges by sale of either sterling or foreign currency.
- 1932. (2) Established with capital of £150,000,000.
- 1933. increased to £350,000,000.
- 1937. increased to £550,000,000.
- 1939. increased to £750,000,000 (by transfer of £200,000,000 from reserve of Bank of England).
- 1939. (3) Remaining gold in Issue Department of Bank of England transferred to the Fund.

BANK OF ENGLAND:

- (1) After 1939, held only nominal amount of gold.
 - (2) Increase of fiduciary issue to correspond with amount of gold withdrawn.
 - (3) Valuation of bullion at market price.
 - (4) Further increase of fiduciary issue during war.
 - (5) Nationalisation.
- 1946.

31. GENERAL PRICE MOVEMENTS

PRICE:

The expression of the ratio between the value of an article and that of a known quantity of gold.

GENERAL PRICE-LEVEL:

The result of the ratio between the whole amount of goods and services available for exchange and the amount of currency in circulation (which, unless there is an inconvertible paper currency, is based upon gold).

Variations occur as the result of disturbance of either term of the ratio. The effects of variations in the level of general prices are of great economic importance.

Variations can be measured by means of Index Numbers.

VARIATIONS BEFORE NINETEENTH CENTURY:

Middle Ages :

Stability of prices, with violent local and temporary fluctuations.

Neither population, currency, nor production varied much.

Late Middle Ages :

Increase in amount of money, through Hundred Years War.

Reduction in population, through Black Death.

Tendency to advance in prices and wages.

Tudor and early Stuart period :

Advancing prices. Due to

(a) Debasement of coinage by Henry VIII.

(b) Influx of silver and gold from New World.

Led to financial difficulties of James I and Charles I.

1660-1793:

Declining prices. Due to

(a) Decline in import of silver from America.

(b) Drain of gold and silver to the East.

(c) Increasing production.

Wages well maintained.

Some advance in food prices.

1793-1820:

Price-level doubled.

(a) War period.

(b) Increasing population. Food problem.

(c) Increasing production.

(d) Inconvertible bank-notes

VARIATIONS DURING NINETEENTH CENTURY:

(See table on p. 310.)

Consideration, in each period, of

- (1) Currency.
- (2) Production.
- (3) Results of variations, especially upon working classes.

1820-49. FALLING PRICES:

Currency:

- (1) Further decline in import from America.
- (2) Some Russian gold, but not enough to affect price-level.
- (3) Decline in issue of notes of private banks. No increase in currency from this source after 1844.
- (4) Cheques. Their use not sufficiently extensive to affect price-level.

Production:

- (1) Use of machinery.
- (2) Tariff reforms of Huskisson and Peel.
- (3) Railway construction.
- (4) Decline of Navigation System.
- (5) Increased postal facilities.

Effects:

- (1) Wages at starvation level.
- (2) Unemployment. Relieved by railway construction.
- (3) The fall in prices was least in articles of food.

1849-73. RISING PRICES:

Currency:

- | | |
|-------|--|
| 1848. | (1) Gold from California. |
| 1851. | (2) Gold from Australia. |
| | (3) Gold from Russia. |
| 1858. | (4) Principle of limited liability extended to banks. |
| | Facilitated banking development, and the use of capital. |
| | (5) Extensive use of cheques. |

Production:

Maintained.

- (1) Freedom of trade.
 - (2) Principle of limited liability encouraged large-scale industrial and commercial enterprise.
 - (3) Coal, iron, steel. Bessemer process.
- But (a) Much wealth destroyed in wars.
 (b) Some deficient harvests.
 (c) Agriculture in America and Australia affected by gold rushes.

Effects:

- (1) Expansion of trade.
- (2) Little unemployment.
- (3) Wages rose.
- (4) The rise in prices was least in articles of food.

1873-96. FALLING PRICES:

Currency:

- (1) Demand for gold in Germany—monometallist after 1873.
- (2) Demand for gold in France—practically monometallist after 1878.

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- (3) Demand for gold in United States—dollar bills became convertible in 1878.
- (4) Drain to India continued.
- (5) Productivity of gold-mines diminished.
- (6) Decline in value of the rupee.

Production :

- (1) Coal, iron, steel. Gilchrist-Thomas process.
- (2) Raw materials (cotton, wool, silk) abundant.
- (3) Mechanical transport.
- (4) Foodstuffs from many parts of the world.
- (5) "Bounty" sugar.

Results :

- (1) Great depression in agriculture, in manufacturing industry, and in shipping.
- (2) Appreciation in value of Government stocks.
- (3) Unemployment.
- (4) Fall in wages, though not in "real" wages.
- (5) Improved condition of working classes.

1896-1914. RISING PRICES:

Currency :

- (1) Gold from South Africa. Cyanide process.
- (2) Expansion of credit currency.

Production :

- (1) Continued to expand, but failed to keep pace with expansion of currency.
- (2) Marked increase in production of foodstuffs.

Effects :

- (1) General prosperity.
- (2) Wages rose, though not so fast as prices.
- (3) Little rise in food prices, or in rents, so that working classes no worse off.
- (4) Less unemployment.

1914-20. STEEPLY RISING PRICES:

Currency :

- (1) Inconvertible paper, of large amount.
- (2) Diminished production of gold in South Africa.

Production :

- (1) Mainly for military and naval purposes. Scarcity of commodities in general demand.
- (2) Limitation of import of food.
- (3) Many prices merely nominal; others disguised.
- (4) Inferior quality of many articles. Many substitutes.

Effects :

- (1) No unemployment
- (2) High wages.
- (3) Little distress to working classes; much to professional men

1920-39. FALLING PRICES

Currency :

- (1) Reduction in volume of inconvertible paper currency
- (2) Revival of production of gold in South Africa

Production :

- (1) General expansion.
- (2) "Rationalisation" of industry—new machinery, new processes, utilisation of by-products, reduced wages and overhead costs.

Effects :

- (1) Unemployment.
- (2) Reduced wages.
- (3) Industrial unrest.
- (4) Enhanced burden of National Debt.

1939-45. RISING PRICES:

Currency :

Great increase. Extension of fiduciary issue of Bank of England.

Production :

- (1) Mainly for war purposes. Scarcity of commodities for civil population.
- (2) Restrictions on food and clothing.
- (3) Many prices controlled.

Effects :

- (1) No unemployment.
- (2) High wages.
- (3) Much spare money invested in "national savings." Rise in general prices not very great.

32. INSURANCE

INSURANCE:

- (1) There is possibility of loss, damage, or liability from chance events.
- (2) Frequency of events which cause loss, damage, or liability can be measured.
- (3) By insurance, a certain small loss (premium) is incurred as a safeguard against possible heavy loss. "Spreading the risk."

TYPES OF INSURANCE:

- (1) Marine. Ships and cargoes. From t. Elizabeth, or earlier.
- (2) Fire. After Great Fire of London.
- (3) Life. Not common till 18th century.
- (4) Accident. 19th century. Many forms.

UNINSURABLE RISKS:

- (1) Risks which cannot be assessed in terms of money, e.g., sentimental value.
- (2) Vague risks, which cannot be estimated, e.g., risk of loss through fluctuations in trade.
- (3) Risks from illegal acts.
- (4) Risks concerning which there is no insurable interest.

MARINE INSURANCE:

Early :

Originated in Italy in later Middle Ages.

In Tudor period, merchants in Lombard Street. Policies made to follow "usages of Lombard Street merchants." Law Merchant.

Disputes :

- (1) Settled in Court of Admiralty.
1575. (2) Chamber of Assurances in Royal Exchange. Marine insurance policies registered there. Court of Arbitration for settling disputes. Fewer cases went to Court of Admiralty.
- 17th c. (3) Decline of Court of Arbitration. Cases taken to common law courts.
- 18th c. (4) Court of Arbitration disappeared.
1720. *Privileged companies :*
 Royal Exchange Assurance } authorised by Statute.
 London Assurance }
 (1) Monopoly of marine insurance as against other joint-stock companies, but not as against underwriters, singly or in partnership.
1721. (2) Authorised to transact life and fire business, as well as marine insurance.

Lloyd's :

- Originally, coffee house in which underwriters met.
 Association of underwriters engaged in marine insurance.
1734. Lloyd's List published.

Attack on the Monopoly :

1810. Proposed new company for marine insurance.
1811. Bill for termination of existing monopoly defeated.
1824. Act of 1720 repealed. End of monopoly. Many new joint-stock companies formed. Position of underwriters threatened, but they held their own.

FIRE INSURANCE :*Early Schemes :*

- (1) City Council. Proposal withdrawn.
1680. (2) The Fire Office. In 1712, the Phenix.
- (3) Friendly Society.
- (4) Hand in Hand.

Nature of the business :

- (1) Early companies insured buildings, not furniture.
- (2) Double premiums for timber-built houses.
- (3) Later companies insured houses and furniture.
- (4) (With Industrial Revolution) Insurance of factories, machinery, raw materials, manufactured products.
- (5) Classification of risks.

LIFE ASSURANCE :

(Mortality tables essential for assessment of premiums.)

Early :

- (1) Life assurance policies, t. Elizabeth, were short-term only. Renewals were fresh contracts, premiums increasing with advancing age.
- (2) Short-term policies often taken out as security for repayment of loans.
- (3) Registration with Chamber of Assurances.

Eighteenth century :

- (1) Life assurance among merchants and manufacturers for benefit of dependants.
 - (2) Several societies formed. Payments at death varied with number of premiums paid.
 - 1756. (3) Equitable Society. Treated life assurance as a permanent contract with a fixed premium based upon age at entry. Share of profits added to basic sum insured.
 - 1774. (4) Life Assurance Act. Required insurable interest. Passed in order to stop speculative assurances.
 - 1792. (5) Westminster { Introduced the practice of paying com-
 - 1797. (6) Pelican { mission for introduction of new business.
- N.B. These offices were partnerships, not joint-stock companies.

Nineteenth century :

- (1) Many new joint-stock companies after 1824 (extinction of monopoly of the two privileged companies).
- (2) Expansion of business.
- (3) New types of policy.
- (4) Industrial assurance.

ACCIDENT INSURANCE :

- (1) Bodily injury. At first, railway accidents. Then, from any cause.
- (2) Many other forms of accident insurance.

STATE SUPERVISION AND CONTROL :

- 1870. *Life Assurance Companies Act :*
 - (1) Deposit of £20,000 with Board of Trade. Returnable after company had accumulated reserve of £40,000.
 - (2) Funds for life assurance business to be kept separate from those for other classes of insurance business.
 - (3) Accounts in prescribed form.
 - (4) Periodic investigation of financial position.
- 1909. *Assurance Companies Act :*
 - (1) Applied to all types of insurance business (except motor vehicles, included in 1930, and marine and aviation, included in 1946). Applicable to joint-stock companies but not to Lloyd's underwriters.
 - (2) Separate deposit of £20,000 for each class of business (some exceptions). Deposits not returnable, as a rule.
 - (3) Separate funds for each class of business. Investments need not be separate.
 - (4) Accounts and balance sheets in prescribed forms.
- 1946. *Assurance Companies Act :*
 - (1) Applied to almost all types of insurance business.
 - (2) Every company to have paid-up share capital of at least £50,000.
 - (3) Assets to exceed liabilities by
 - (a) £50,000, or
 - (b) One-tenth of annual premium income, whichever was the greater.
 - (4) Deposit system abandoned.
- 1870. *Attitude of State to Insurance Companies :*
 - One class of business supervised. State did not certify solvency, or prevent insolvent companies from continuing in business.

State aimed at securing publicity, so that people could judge for themselves.

1946. All classes of business. State aimed at ensuring solvency of companies and protecting the public.

COMPULSORY INSURANCE:

- (1) Under Workmen's Compensation Acts.
- (2) Owners of aircraft, in respect of passengers.
- (3) Third-party motor insurance. (Guaranteed by Motor Insurers' Bureau.)
- (4) National Insurance.

NATIONAL INSURANCE:

1911. (1) (a) Sickness and unemployment.
 (b) All manual and some non-manual workers.
1946. (2) (a) Sickness, unemployment, maternity, old age pension, widow's pension, death grant.
 (b) All persons, 16-65. i. Employed.
 (with few exceptions) ii. Self-employed.
 iii. Non-employed.

OVERSEAS BUSINESS:

Very large volume of business by British companies. Contribution to British invisible exports.

33. THE PREVALENCE OF "LAISSEZ-FAIRE"

PHILOSOPHICAL BASIS OF "LAISSEZ-FAIRE":

Maximum benefit to the individual through unrestrained competition—each man would act to his own greatest advantage.

Maximum benefit to the community as the result of the pursuit by all men of what was to their own advantage.

The regulation of economic activity by the State was prejudicial to national interests.

EFFECTS OF "LAISSEZ-FAIRE" VIEWS ON STATE POLICY:

- (1) Non-enforcement of Statute of Artificers.
- (2) Breakdown of monopoly of foreign trade by chartered companies.
- (3) Relaxation of Old Colonial System.
- (4) Absence of regulation of early factories.
- (5) Absence of building regulations for factory towns.
- (6) Means of transport developed by private enterprise.

1793-1815. WAR PERIOD.

- (1) Increasing population.
- (2) Industrial expansion.
- (3) Agricultural prosperity.
- (4) Growth of export trade.
- (5) Increase in national wealth, unevenly distributed.
- (6) Bad social conditions.

1815-50. PERIOD OF DEPRESSION:

- (1) Depressed trade.
- (2) Unemployment.

- (3) Low wages.
- (4) Heavy national and local taxation.
- (5) Agricultural depression, in spite of the Corn Law.
- (6) Falling prices.

Reasons for ultimate recovery :

- (1) Machinery.
- (2) Low cost of labour.
- (3) Gold standard currency.
- (4) Burden of taxation least on property and capital.
- (5) Political stability of the country.

Laissez-faire :

It was held that distress was not due to *laissez-faire* principles, but to the incompleteness of their application. Many efforts were made to discontinue State regulation of economic activity.

- 1824-5. (1) Combination Laws relaxed.
- 1825. (2) Export of machinery permitted.
- 1825. (3) Restrictions on emigration removed.
- 1834. (4) Tariff reforms by Huskisson.
- (5) Abolition of allowance system.
- 1842-61. (6) Free Trade.

Humanitarianism :

Positive efforts to ameliorate social conditions, in defiance of accepted economic views.

- 1833-50. (1) Factory Acts.
- 1842. (2) Mines Act.
- 1833. (3) Education grants.
- 1848. (4) Board of Health.

1850-75. PERIOD OF PROSPERITY :

- (1) The "golden age."
- (2) Rising prices.
- (3) Trade facilitated by transport developments.
- (4) Many wars elsewhere; Great Britain at peace.
- (5) No serious foreign competition. Other countries engaged in war, or in economic reorganisation.

Laissez-faire :

Its advocates claimed that prosperity was due to the discontinuance of State regulation of economic activity during the previous period.

Humanitarianism :

Humanitarians claimed that their measures had not been detrimental to prosperity of nation, and that further State action might be taken.

1875-1900. PERIOD OF DEPRESSION :

- (1) Falling prices.
- (2) Foreign competition in industry, especially from Germany and United States—both protectionist.
- (3) Agricultural depression.
- (4) Shipping depression.
- (5) Steel industry. German and American basic steel.
- (6) Unemployment.

Laissez-faire:

Growing doubt as to value of *laissez-faire*, in view of vigorous support of industry, commerce, and agriculture, by the Governments of Germany and the United States.

84. THE DECLINE OF "LAISSEZ-FAIRE"**REASON FOR DECLINE:**

Expansion, with State assistance, of industry and commerce in other countries.

FORMS OF STATE ACTION:

- (A) *For the benefit of Workers:*
- (1) Extension and codification of factory law.
 - (2) Shop assistants:
 - (a) Shop Hours Act.
 - (b) Early Closing Act.
 - (3) Sweated labour:
 - (a) Trade Boards Act. Trade boards established for the fixing of minimum wages in certain scheduled trades.
 - (b) Trade Boards Act. Extension of the system.
 - (4) Compensation for accidents:
 - (a) Employers' Liability Act. Ineffective, by reason of contracting out.
 - (b) Workmen's Compensation Act. Contracting out forbidden.
 - (5) Mischances of life:
 - (a) Old Age Pensions.
 - (b) National Insurance.
 - (6) Industrial disputes:
 - (a) Conciliation Act. Limited powers assigned to Board of Trade.
 - (b) Arbitration Courts established.
 - (c) Compulsory arbitration in munition works disputes.
 - (d) Whitley Councils instituted.
 - (e) Industrial Courts Act.
 - (7) Education System.
- (B) *For the benefit of Agriculture:*
- (1) Board of Agriculture established.
 - (2) Compensation for improvements.
 - (3) Sanitary regulations for farm-stock.
 - (4) Agricultural education
 - (5) Exemption from rates.
- (C) *For the benefit of Trade:*
- (1) Merchandise Marks Act.
 - (2) Imitation of trade-marks forbidden.
 - (3) Patent Act, to prevent the practice of manufacturing abroad under protection of British patent.
 - (4) Commercial Intelligence Department of the Board of Trade. *Board of Trade Journal*.
 - (5) Department of Overseas Trade.

(D) Imperial Development :

Change of attitude towards colonies after 1870, because of

- (1) Mechanical transport. More rapid communication.
- (2) Eagerness of other nations to obtain colonies. Greater realisation by Englishmen of the importance of the British Empire.

Self-governing Dominions :

- (1) Responsible government.
- (2) Colonial and Imperial Conferences.
- (3) Improvements in communications—postage, cables, broadcasting.
1908. (4) Imperial Trade Commissioners.
1900. (5) Colonial Stocks Act.
- (6) Preferential tariffs:
 - 1897. Granted by Canada.
 - 1919. Granted by Great Britain on certain articles.
 - 1932. General system of preferences.

Tropical colonies :

- (1) Public works—roads, harbours, irrigation works, bridges, public buildings.
- (2) Tropical medicine.
- (3) Tropical agriculture.
 - (a) British Cotton-Growing Association.
 - (b) Land drainage.
 - (c) Irrigation.
 - (d) Cropping.
 - (e) Parasites.

(E) Recent economic measures :

- 1931-2. (1) Abandonment of Free Trade. General tariff, with imperial preference.
- (2) Measures for assistance of agriculture, shipping, etc.

35. AFTER THE WAR OF 1939-45**1945- . LABOUR GOVERNMENT :****Aims :**

- (1) To re-establish economy of nation on a peace-time footing.
- (2) Schemes of nationalisation.
- (3) Schemes of social amelioration.

NATIONALISATION :**General plan :**

- (1) Central Board appointed by the appropriate minister.
- (2) (Sometimes) Subordinate Boards.
- (3) (Sometimes) Advisory Committees.

1946. Bank of England :

Formal recognition of a state of affairs already existing.

1946. Coal :

- (1) National Coal Board, appointed by Minister of Fuel and Power.
- (2) Advisory councils of industrial and domestic users.

1947. *Electricity :*
 (1) National Electricity Authority, appointed by Minister of Fuel and Power.
 (2) Fourteen Area Boards.
1947. *Transport :*
 (1) British Transport Commission, appointed by Minister of Transport.
 (2) Five Executive Boards: Railways.
 Road Transport.
 Docks and Inland Waterways.
 London Transport.
 Hotels.
 (3) Railway Rates Tribunal
 Railway and Canal Commission } abolished.
 (4) Transport Tribunal, to approve fares and rates.
1948. *Gas :*
 (1) Gas Council, appointed by Minister of Fuel and Power.
 (2) Twelve Area Boards.
 (3) Consultative Councils.
 (4) Co-operation with National Coal Board.
1946. *Civil Aviation :*
 (1) Three bodies appointed by Minister of Civil Aviation.
 British Overseas Airways.
 British European Airways.
 British South American Airways.
 (2) Air Transport Advisory Council.
- Iron and Steel :*
 Under consideration.
1946. *Imperial Telecommunications :*
 State purchase of share capital of Cable and Wireless Ltd. Treasury appointed directors. Subject to Postmaster-General.

WORKING PARTIES:

- (1) In many industries. Appointed by, and reported to, President of the Board of Trade.
- (2) Members representing employers and workers and other interests. Chairman a person distinguished in some other walk of life.
- (3) To investigate conditions in industry and to suggest improvements.

AGRICULTURE:

Measures (described elsewhere) to increase production

SOCIAL AMELIORATION:

1945. (1) Family Allowances Act.
1946. (2) National Insurance (Industrial Injuries) Act.
1946. (3) National Health Service Act.
1946. (4) National Insurance Act.
1948. (5) National Assistance Act.

1947-8. ECONOMIC CRISIS:

- (1) Balance of visible imports over exports, before the war, rectified by invisible exports:
 - (a) Dividends and interest on capital invested abroad
 - (b) Shipping services.
 - (c) Financial services.
 - (2) Reduction of invisible exports and sale of capital holdings abroad during the war.
 - (3) Necessity for increase of visible exports.
1946. (4) American credit of 3,750,000,000 dollars, to tide over transition period.
1947. (5) Unexpectedly rapid exhaustion of credit.
1948. (6) Marshall aid.

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